



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2004

**W. Martin Morics
Comptroller**



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2004

Office of the Comptroller

**W. Martin Morics
Comptroller**

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Office of the Comptroller

July 29, 2005

W. Martin Morics, C.P.A.
Comptroller

Michael J. Daun
Deputy Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Craig D. Kammholz
Special Deputy Comptroller

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2004. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

This report consists of management's representation concerning the finances of the City of Milwaukee. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Milwaukee and the component units are responsible for establishing and maintaining an internal control structure designed to ensure that the assets entrusted are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An independent firm of licensed certified public accountants, KPMG LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2004, are fairly presented in conformity with GAAP.

The GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* requires that management provide a narrative introduction, overview, and analysis to accompany the Basic financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in three sections. The **Introductory Section** includes a list of principal officials, an organizational chart, and this letter of transmittal, which highlights significant aspects of the City and particular financial issues. The **Financial Section** includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The **Statistical Section** includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2004

THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The city, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of government. The Mayor, Comptroller, Treasurer, City Attorney and 15 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a general election for these positions in April 2004. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads that are subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, has responsibilities for the establishment of City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in the report are the enterprise operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units: Milwaukee Economic Development Corporation, City of Milwaukee Housing and Redevelopment Authorities and Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. After all requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function (i.e. salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

LOCAL ECONOMY

Milwaukee is the largest City in the State, with a 2004 population of 593,920 which has been quite stable since 2001. Due to its large population, it is also the only City of the First Class within the State of Wisconsin. Geographically, Milwaukee consists of 95.8 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. For 2003, Milwaukee's median age was 30.6 years and had a per capita income of \$13,680. The unemployment rate averaged 9.3% during 2004.

Milwaukee has a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69% of the workforce. Manufacturing firms employ 17% of the work force. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2004

more than 500 employees. The City's largest taxpayers are representative of the banking, insurance, real estate, hotel and brewery industries. The City is actively promoting high-tech development and has had some success attracting high-tech industries. These industries provide relatively high wage jobs. While it is important to continue this effort, these types of firms have been reluctant to invest due to the devastation of the last recession on this industry. The same issues that face the national economy are also being felt locally. Particularly in the manufacturing industry, unemployment remains high with limited business investment. Milwaukee will continue to judiciously provide appropriate incentives to promote business development.

In addition to pursuing new business, the City takes an active role in guiding economic development to serve the community. The City manages a number of programs intended to assist in local business retention efforts, provide permit assistance to new businesses, seek out appropriate sites, and, with local business organizations, to improve conditions. The City has recently established its 36th Business Improvement District and Tax Incremental District #57. In addition, the City manages several various Development Fund Projects to promote urban renewal throughout the City.

Milwaukee's arts, entertainment, professional sports, restaurants, parks, conventions, and businesses attract about 6 million visitors a year. There are about 20 major annual festivals hosted in Milwaukee. Summerfest is promoted as the world's largest music festival and attracts about one million attendees each year. Some of Milwaukee's ethnic festivals include the largest Native American festival in the country, America's largest Polish festival, America's largest Italian festival, America's largest 3-day German festival and the largest Irish festival in the world.

The educational opportunities in Milwaukee offer a wide variety of choices within the City. They include Alverno College, Cardinal Stritch University, Marquette University, Medical College of Wisconsin, Milwaukee Area Technical College, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee and Wisconsin Lutheran College.

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. To serve our citizens better, the City is spearheading the formation of intra- and inter-agency teams to find more cost-effective ways to deliver city services by fostering greater cooperation between city departments and other governments. In addition, our efforts to be more aggressive in seeking outside dollars resulted in additional federal funds. In 2004, the City applied for about \$400,000 in federal grant funds to help two of Milwaukee Public Schools' Community Learning Centers that provide after school learning programs and activities for children. An \$8 million grant to support Homeland Security efforts to prevent and respond to terrorist attacks was also received.

ECONOMIC OUTLOOK

The 2005 capital budget includes \$23.5 million funding to promote economic development and job growth through the tax increment district financing. Major, ongoing projects include: 1) the redevelopment of the former Park East Freeway Corridor from I-43 to Broadway; 2) redevelopment of the 140 acre former CMC rail yard parcel in the Menomonee Valley; and, 3) redevelopment of the former Tower Automotive facilities on the north side of Milwaukee.

The City of Milwaukee receives significant revenue allocations from the State. These "State Shared Revenues" include allocations for state shared taxes, local street aids, payment for municipal services and are placed in the General Fund where it is used to support a large portion of the City's day-to-day activities. For fiscal year 2004, revenues totaled \$274 million or 53% of the total general fund revenues as compared to \$285 million or 55% in 2003. However, due to the State's continued significant budget deficit, the City is expecting a decrease in shared revenue in 2005 of approximately \$1 million or \$273 million.

In recent years, the City has moved towards revenue diversification as a means to address the future uncertain and most-likely decline in the funding levels for state aid. Charging user-based fees for some City services is shifting payment to those directly benefiting from the service and is helping to reduce the dependence on the property tax. For example, garbage collection services are being billed to tax exempt properties. In 2004, many fees including several permits and licenses were increased.

While the property tax rate for 2005 is down to \$9.19 compared to 2004's \$9.73 per \$1,000 of assessed value, the property tax levy of approximately \$203 million increased \$4 million compared to 2004's \$199 million. The actual property tax revenues reported in the General Fund was \$129 million for 2004 compared to \$127 million for 2003 (the rate for 2003 was \$9.73). The property tax revenue funding General Fund expenditures has remained relatively constant at 23% for both 2004 and 2003.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Property tax and state aid revenues comprise approximately 78% of the General Fund revenues for 2004. Because of the State legislatures' desire to control property taxes and the State's continued reduction in aid, remaining local revenue growth does not fully offset the impact of the stagnant shared revenues and property taxes. Although some efforts have been made to diversify revenue through the creation of a Solid Waste Fee and the Snow and Ice Control Fee, state law restricts the City's ability to create user fees or to charge tax exempt properties for police and fire protection, as a results, the City has been forced to rely on service reductions to balance the budget given the revenue situation. Continued expenditure reductions to balance the budget will force the City to cut services. Eventually, the City will hit an expected minimum service level where no further service reduction will be acceptable. The fine balance between services and taxes could shift towards a greater demand for services rather than pressure to reduce taxes or seek other revenue sources. The potential for future increases in retirement system contributions and even higher health benefit costs add to this dilemma.

LONG-TERM FINANCIAL PROJECTS

In 1986, the Comptroller proposed and the Common Council adopted, a resolution that gradually converts funding for recurring infrastructure projects from borrowing to cash financing through the year 2005. This strategy was employed to decrease overall debt and ultimately reduce costs and resulting tax levies for what are, in effect, annually recurring replacement projects. The 2005 capital budget meets the Infrastructure Cash Conversion (ICC) Policy goal of 100%. For 2005, as part of an overall review of the City's capital and debt policies, the ICC Policy will be analyzed to better understand the policy's impact on cash financed infrastructure and examine approaches to enhance the ICC Policy. In addition to this review, the 2005-2010 Capital Improvements Plan will include other revenues in the cash conversion program, such as program and Community Block Grant revenue, to enhance the tax levy support for ICC Policy infrastructure items.

The improvement and extension of West Canal Street from North Sixth Street to the Miller Park Baseball Stadium began in 2003. Approximately \$6.8 million was allocated in 2003 as the city's match to state grant funding. In 2004, an additional \$14.2 million city share was provided for major streets, bridges and sewer expansion programs. The total city cost of this multi-year project will be approximately \$29 million. In 2005, a combination of grant fund and tax increment financing will support the remaining \$8.1 million in city funded needs identified for this project. This project is considered vital to the redevelopment of the Menomonee Valley. Combined with the recently completed replacement of the Sixth Street Viaduct, this project will also serve as an alternate travel route during the planned upcoming reconstruction of the Marquette Interchange.

Milwaukee's City Hall is an architecturally significant landmark building listed in the National Register of Historic Places. City engineering staff's observations determined that City Hall's tower, roof, and walls needed work to restore the buildings' watertight integrity. The 2005 capital budget provides \$8.2 million to continue this multi-year project. The total cost of this project is expected to be \$70 million and will be financed with Redevelopment Authority of the City of Milwaukee (a separate nonprofit corporation and a component unit of the City) Revenue Bonds or City General Obligation bonds.

The 2004 budget included \$2.5 million to relocate DPW facilities at North Sixth and West Canal Streets. For 2005, no additional funding is provided. Interim financing through the Redevelopment Authority will allow this project to move forward. In 2006, permanent financing for this project will remove this interim financing. The relocation of the DPW facilities will open this site for a \$30 million Harley-Davidson Museum, which will showcase the history of the motorcycle developed in Milwaukee.

Instituted in 2002, durable equipment with an original unit cost of \$50,000 or more of the Fire Department and the Department of Public Works will continue to be funded through the capital budget. In 2005, the Fire Department will use \$4.3 million to purchase major fleet equipment; DPW Operations division will procure \$6.5 million for replacements for a range of equipment that is beyond economical repair.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities which maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and commercial paper (all of which are permissible under State Statutes). The average interest earnings rate for City funds

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2004

invested by the City Treasurer was approximately 1.5089% in 2004 as compared to 1.225% in 2003. The City continued to use the State of Wisconsin Local Government Investment Pool as an option to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. In 2004 the average daily investable balance was \$253.1 million as compared to \$237.6 million in 2003 or a 6.5% increase. The investable balance generates interest earnings for the City, which is used to offset the property tax levy.

During 2004, the City continued its aggressive use of financing techniques and investment instruments to increase its investment return. The City's use of cash flow borrowing in anticipation of either State Shared Revenues or State Educational Aid Revenues totaled \$238 million in 2004, compared to \$248 million in 2003. The financing were accomplished through two separate offerings -- \$66 million in April 2004 for City purposes and \$172 million in September 2004 for school purposes. The timing of those offerings provided the City with an opportunity to earn additional interest on investments and still comply with the requirements of the Tax Reform Act of 1986. The second borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending the receipt of State Educational Aids.

RISK MANAGEMENT

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City believes it is more economical to manage its risk internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City does purchase and maintain limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required from City contractors, vendors and lessees, and permit holders.

AWARDS

The City of Milwaukee was awarded a Certificate of Commendation from the Governmental Reporting Awards Through Evaluation organization (GRATE) for achieving a high level of quality in its annual financial statements through the utilization of GAAP for the fiscal year ended December 31, 2003. This was the twentieth consecutive year that the City received this prestigious award.

We believe that our current Comprehensive Annual Financial Report continues to meet the GRATE Organization's requirements and we will submit this document to GRATE for award consideration.

ACKNOWLEDGEMENTS

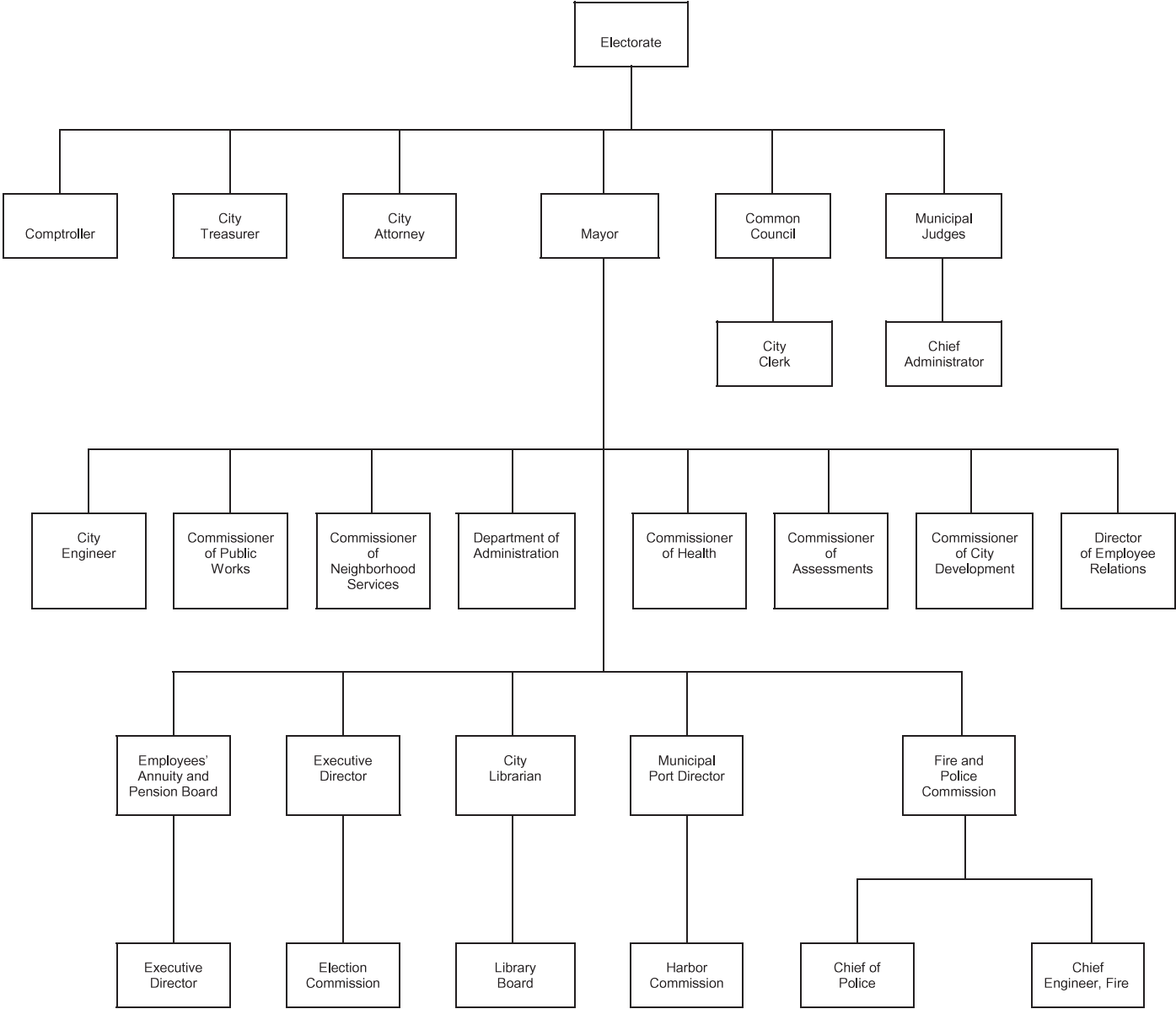
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment and effort of each member of the General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this Comprehensive Annual Financial Report. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Very truly yours,



W. MARTIN MORICS
Comptroller

City of Milwaukee
ORGANIZATION CHART
DECEMBER 31, 2004



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2004

ELECTED

Mayor	Thomas M. Barrett
Comptroller	W. Martin Morics
City Treasurer	Wayne F. Whittow
City Attorney	Grant F. Langley
Municipal Judge	Derek C. Mosley
Municipal Judge	James A. Gramling, Jr.
Municipal Judge	Valarie A. Hill

COMMON COUNCIL

President	Willie L. Hines, Jr.
-----------------	----------------------

Aldermanic District

First
Second
Third
Fourth
Fifth
Sixth
Seventh
Eighth
Ninth
Tenth
Eleventh
Twelfth
Thirteenth
Fourteenth
Fifteenth

Alderman

Ashanti T. Hamilton
Joseph L. Davis, Sr.
Michael S. D'Amato
Robert J. Bauman
James A. Bohl, Jr.
Michael I. McGee, Jr.
Willie C. Wade
Robert G. Donovan
Robert W. Puente
Michael J. Murphy
Joseph A. Dudzik
James N. Witkowiak
Terry L. Witkowski
T. Anthony Zielinski
Willie L. Hines, Jr.

FINANCE RELATED (Non-Elected)

Administration Director	Sharon D. Robinson
Budget & Management Director	Mark P. Nicolini
City Purchasing Director	Cheryl L. Oliva
Commissioner of Assessments	Mary P. Reavey
Chief Information Officer	Randolf A. Gschwind



GOVERNMENTAL
REPORTING
AWARDS
THROUGH
EVALUATION

The Key to Better Local Government Financial Reporting

CERTIFICATE OF COMMENDATION

GRATE
hereby awards this
Certificate of Commendation to
City of Milwaukee

for achieving a high level of quality in its
annual financial statements through the utilization of
Generally Accepted Accounting Principles (GAAP),
and accepting its responsibility for
credibility in its financial statements.

For the year ended

December 31, 2003

President, GRATE Board of Directors

Marquette University
(Technical Services)

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 17 to 32 and Exhibit E-1, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

July 29, 2005,
except for the financial statements and related
note disclosures for the discretely presented
component units as to which the date is
January 10, 2006

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included. Dollars are reported in thousands.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2004 by \$1,022 million (net assets); \$396 million in governmental activities and \$626 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$160 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred.
- The city's net assets of \$1,022 million compared to the previous year of \$1,029, decreased by 0.68%; less than one percent.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$974 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$119 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted (\$70) million.
- The City's governmental funds reported total ending fund balance of \$205.5 million this year. Compared to the prior year ending fund balance of \$214.2 million, a decrease of \$8.7 million resulted by year end 2004; a 4% decrease.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$87 million or 15.5% of total General Fund expenditures including transfers and 15.9% of total General fund revenues including transfers.
- Total liabilities of the city increased by \$64 million to \$1,375 million during the fiscal year.
- General obligation bonds and notes payable increased by \$13 million during the current fiscal year from \$660 million to \$673 million. The key factors in this increase were the issuance of over \$90 million in general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools. Other factors contributing to this increase were scheduled retirement of general debt of \$77 million.
- For governmental activities, program revenue (consisting of charges for services, and of operating grants and contributions) supported 19.29% of the total expenses for 2004. Property taxes and other taxes represented 29.27% of the primary government's governmental activities' expenses and state aids for the General Fund equaled 36.81%. Miscellaneous revenues and transfers supported 10.61% of the expenses. As a result of 2004 activity, 4.02% of the expenses are not funded with current year revenues and transfers.
- For business-type activities, program revenue (consisting of charges for services, and of capital grants and contributions) supported 133.35% of the expenses for 2004; and, in total exceeded the expenses by \$44,987. Miscellaneous revenue and transfers out of (\$21,825) were 16.18% of the total expenses for the year.
- During the year, the City had governmental expenses of \$600.5 million more than its program revenues; general revenues and transfers of \$570.6 million resulted in a decrease of net assets of \$30 million. This does not include \$16.9 million budgeted use of prior year surplus used to finance the General Fund expenditures for 2004. Business-type activities generated \$23 million of program revenues, general revenues and transfers greater than its expense at year end; and, had an increase of net assets of 3.8% over 2003.
- The general fund reported a positive fund balance for the year of \$87 million. Compared to \$90 million in 2003; the 2004 year end balance decreased 3.3%. This decrease is primarily a result of management's decision to increase to 16.9

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million the withdrawal of the Reserve for Tax Stabilization fund balance to finance the 2004 budgeted General Fund expenditures. This was an increase of \$7.6 million from the \$9.3 million in 2003.

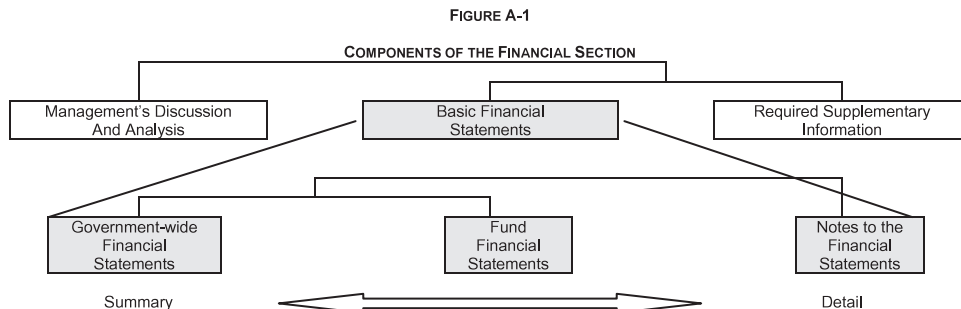
- The operating expenditures of the General Fund were \$4.3 million less than budgeted. This favorable variance is a result of savings from general government departments of \$3.1 million; public safety departments of \$1.1 million and public works, health, culture and recreation and conservation and development departments, in the aggregate, of \$0.1 million. Several major savings in five departments over the amount budgeted contributed to 86%, or \$3.7 million, to these savings. The Comptroller saved \$0.7 million from the amount needed for the payment on the accrual for future salary expenditures and \$0.3 million savings in the aggregate of reduced bond issuance costs (as a result of only one bond sale during 2004), computer upgrade costs, and other various expenditure responsibilities. The Fire Department implemented a strict sick leave control policy during 2004 which drastically reduced the sick leave costs 27% and correspondingly reduced the need to hire auxiliary personnel at overtime costs. This resulted in a departmental savings of nearly \$1.1 million. The City Attorney's Office saved \$0.3 million combined for collection services and insurance expenditures. The Department of Employee Relations also saved \$0.3 on Unemployment Compensation and \$0.1 million on various Tuition Reimbursement requests by employees. Overall, the administrative departmental costs of the Employees' Retirement System netted \$0.9 million over budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information**. Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.

The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the city government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
 - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the city is solely a trustee or agent for the benefit of others to whom the resources belong.



A summary of the major features of the city's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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FIGURE A-2
 MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position.

- Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.
- Other non-financial factors, such as changes in the property tax base and the condition of the roads are needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the city is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- *Component units*—The City includes four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the city as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and

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expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the city's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- **Proprietary funds:** Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The city's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its employees deferred compensation plan and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the city's other financial statements because the City cannot use these assets to finance its operations. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow Exhibits 1 through D-2 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

Combining schedules provide detail in connection with nonmajor governmental funds and nonmajor enterprise funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each nonmajor special revenue fund. Capital Projects are also presented in detail by major category, i.e. streets, sewers within the Miscellaneous Financial Data Section. See Exhibits F-1 through I-9.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The net assets and net expenses of governmental and business-type activities are depicted separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

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Table 1
Summary of Statement of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 741,397	\$ 778,176	\$ 123,888	\$ 116,482	\$ 865,285	\$ 894,658
Capital assets	840,366	841,723	634,178	660,664	1,474,544	1,502,387
Total assets	<u>1,581,763</u>	<u>1,619,899</u>	<u>758,066</u>	<u>777,146</u>	<u>2,339,829</u>	<u>2,397,045</u>
Long-term liabilities outstanding	682,382	702,463	142,960	132,838	825,342	835,301
Other liabilities	473,619	521,653	11,855	17,895	485,474	539,548
Total liabilities	<u>1,156,001</u>	<u>1,224,116</u>	<u>154,815</u>	<u>150,733</u>	<u>1,310,816</u>	<u>1,374,849</u>
Net assets:						
Invested in Capital assets, net of related debt	420,357	444,873	518,861	529,213	939,218	974,086
Restricted	104,600	110,417	-	8,123	104,600	118,540
Unrestricted	(99,195)	(159,507)	84,390	89,077	(14,805)	(70,430)
Total net assets	<u>\$ 425,762</u>	<u>\$ 395,783</u>	<u>\$ 603,251</u>	<u>\$ 626,413</u>	<u>\$ 1,029,013</u>	<u>\$ 1,022,196</u>

Net assets of the city's governmental activities decreased 7% to \$395.8 million for 2004. These net assets are restricted as to use of \$110.4 or are invested in capital assets of \$444.9 (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net assets deficit (\$159.5) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims and to pay for unused employee vacation and sick days. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 3.8% to \$626.4 million in 2004. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term liabilities for governmental activities increased 2.9% from 2003 due primarily by the issuance of long-term debt. For business-type activities, long-term liabilities decreased 7% from 2003 due to the retirement of existing general obligation and revenue bond debt.

Total assets, including capital assets increased \$57,216 or 2.45% from 2003. Capital assets of the primary government increased overall only 1.9% from the previous year. For 2004, business-type activities, the Water Works and the Sewer Maintenance Funds have 90% to the city's total net capital assets. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (54%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (36%) includes the all the various sewer mains and connections.

Changes in net assets. The City's total revenues totaled \$691.4 million in the governmental activities. Of revenues, 31% comes from property and other taxes and 52% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services represents only 9% of the total, with the remaining 8% from licenses, permits, finds and forfeits and miscellaneous other sources.

The City's expenses cover a range of services, with about 32% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its revenues for governmental activities by a 7.6% margin while business-type activities had 25.3% more revenues than expenses. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

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Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Revenues:						
Program revenues:						
Charges for services	\$ 55,714	\$ 60,825	\$ 180,435	\$ 177,639	\$ 236,149	\$ 238,464
Operating grants and contributions	94,646	82,664	-	-	94,646	82,664
Capital grants and contributions	-	-	2,053	2,236	2,053	2,236
General revenues:						
Property taxes and other taxes	213,014	217,762	-	-	213,014	217,762
State aids for General Fund	284,565	273,865	-	-	284,565	273,865
Miscellaneous	56,815	56,321	482	797	57,297	57,118
Total revenues	<u>704,754</u>	<u>691,437</u>	<u>182,970</u>	<u>180,672</u>	<u>887,724</u>	<u>872,109</u>
Expenses						
General government	166,270	177,761	-	-	166,270	177,761
Public safety	257,207	241,027	-	-	257,207	241,027
Public Works	137,693	150,591	-	-	137,693	150,591
Health	24,679	27,251	-	-	24,679	27,251
Culture and recreation	19,520	29,014	-	-	19,520	29,014
Conservation and development	64,197	57,967	-	-	64,197	57,967
Capital contribution to						
Milwaukee Public Schools	8,904	15,686	-	-	8,904	15,686
Contributions	22,499	20,582	-	-	22,499	20,582
Interest on long-term debt	26,981	24,159	-	-	26,981	24,159
Water	-	-	56,554	54,030	56,554	54,030
Sewer Maintenance	-	-	26,440	24,361	26,440	24,361
Parking	-	-	21,438	22,283	21,438	22,283
Port of Milwaukee	-	-	3,275	2,981	3,275	2,981
Metropolitan Sewerage District User Charges.	-	-	31,661	31,233	31,661	31,233
Total expenses	<u>727,950</u>	<u>744,038</u>	<u>139,368</u>	<u>134,888</u>	<u>867,318</u>	<u>878,926</u>
Increase in net assets before transfers	(23,196)	(52,601)	43,602	45,784	20,406	(6,817)
Transfers	18,073	22,622	(18,073)	(22,622)	-	-
Increase in net assets	(5,123)	(29,979)	25,529	23,162	20,406	(6,817)
Net assets – Beginning, as Restated	430,885	425,762	577,722	603,251	1,008,607	1,029,013
Net assets – Ending	<u>\$ 425,762</u>	<u>\$ 395,783</u>	<u>\$ 603,251</u>	<u>\$ 626,413</u>	<u>\$ 1,029,013</u>	<u>\$ 1,022,196</u>

Governmental Activities

Revenues for the city's governmental activities were \$691.4 million, while total expenses were \$744 million for 2004. All revenues, excluding transfers, are only supporting 92.9% of the total expenses; or 96% with transfers; leaving the remaining 4% funded with available fund balances. Comparable data for 2003 indicates 96.8% of all revenues, excluding transfers supported 2003's expenses; 99.3% with transfers.

Property taxes represent 31.5% of the total revenues for 2004 compared to 30.2% for 2003; a 1.3% increase. The slight increase in revenues is primarily due to an increase in collections. State aids for the General Fund of \$273.9 million decreased from 2003 by \$10.7 million or 3.75%. The combined property taxes and state aids comprised approximately 71% of the total revenues for governmental funds in 2004 and in 2003. Charges for services equaled 8.8% of the total revenues in 2004 compared to 7.9% in 2003.

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Governmental activities had expenses increase 2.2% in 2004 to \$744 million from \$727.9 million in 2003. Expenses for general government, which comprise 23.9% of the total expenses, increased 6.9% in 2004. An increase in health care costs is the main reason for this increase. Public safety expenses represent the largest category of governmental activities or 32.4% of the total expenses for 2004 which is a decrease from 35.3% in 2003. Public safety expenses decreased due to the wage settlements and police overtime that occurred during 2003. In addition, \$1.1 million of budgeted salaries were saved in the Fire Department in 2004 due to implementation of a stricter sick leave policy which correspondingly decreased the need for auxiliary firefighters.

Chart 1
2004 Expenses and Program Revenues - Governmental Activities

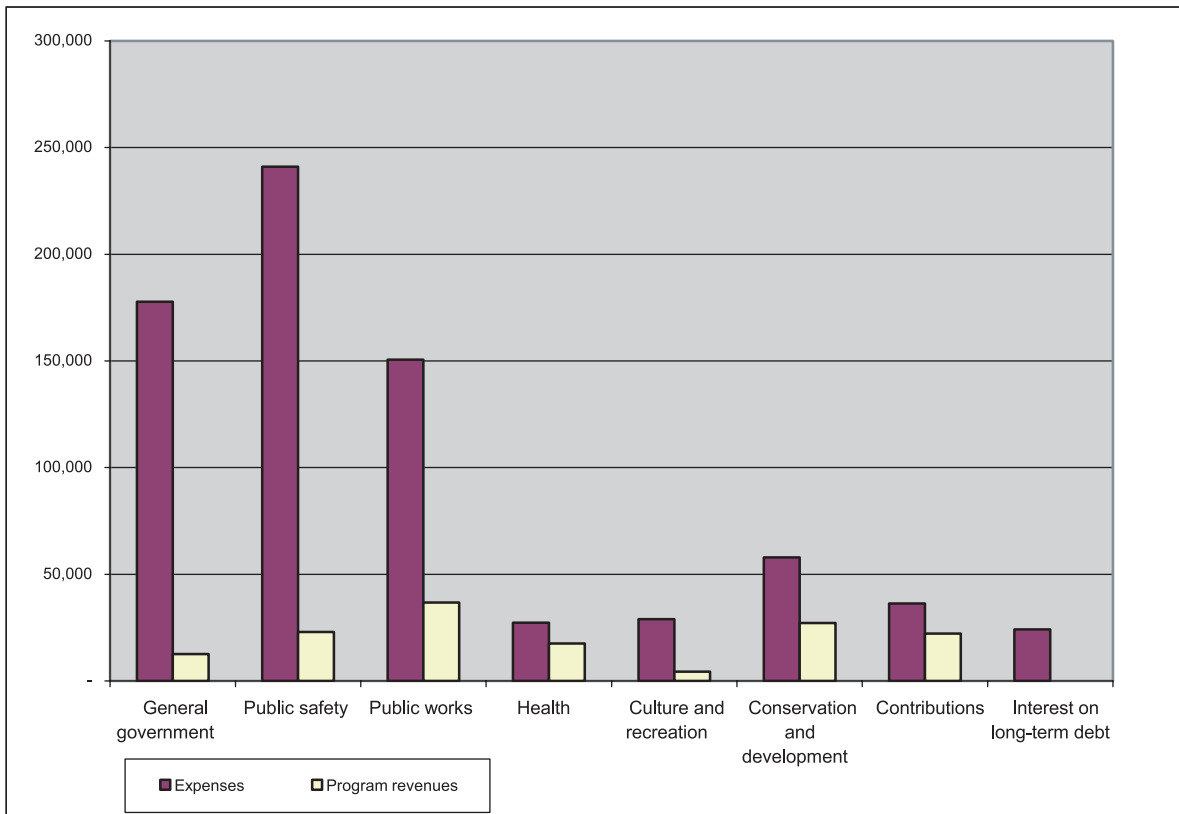


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

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Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2003	2004	2003	2004
General government	\$ 166,270	\$ 177,761	\$ 153,815	\$ 165,130
Public safety	257,207	241,027	229,741	218,146
Public works	137,693	150,591	99,862	113,801
Health	24,679	27,251	9,770	9,715
Culture and recreation	19,520	29,014	15,288	24,692
Conservation and development	64,197	57,967	33,229	30,874
Contributions	31,403	36,268	8,904	14,032
Interest on long-term debt	26,981	24,159	26,981	24,159
Total Governmental Activities	<u>\$ 727,950</u>	<u>\$ 744,038</u>	<u>\$ 577,590</u>	<u>\$ 600,549</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue increased in 2004 to \$600.5 from \$577.6 million in 2003 or nearly 4%. For 2004, Public Safety's net cost of services represents the largest category of total expenses at 36.3%, a decrease from 39.8% compared to 2003. General Government's net costs of services increased its share of total expenses from 26.6% in 2003 to 27.5% in 2004. The total costs of services increased overall by 2.2%, with the net cost of services increasing 3.9%. This indicates that the total governmental services are increasing, the program revenue for the purposes are decreasing.

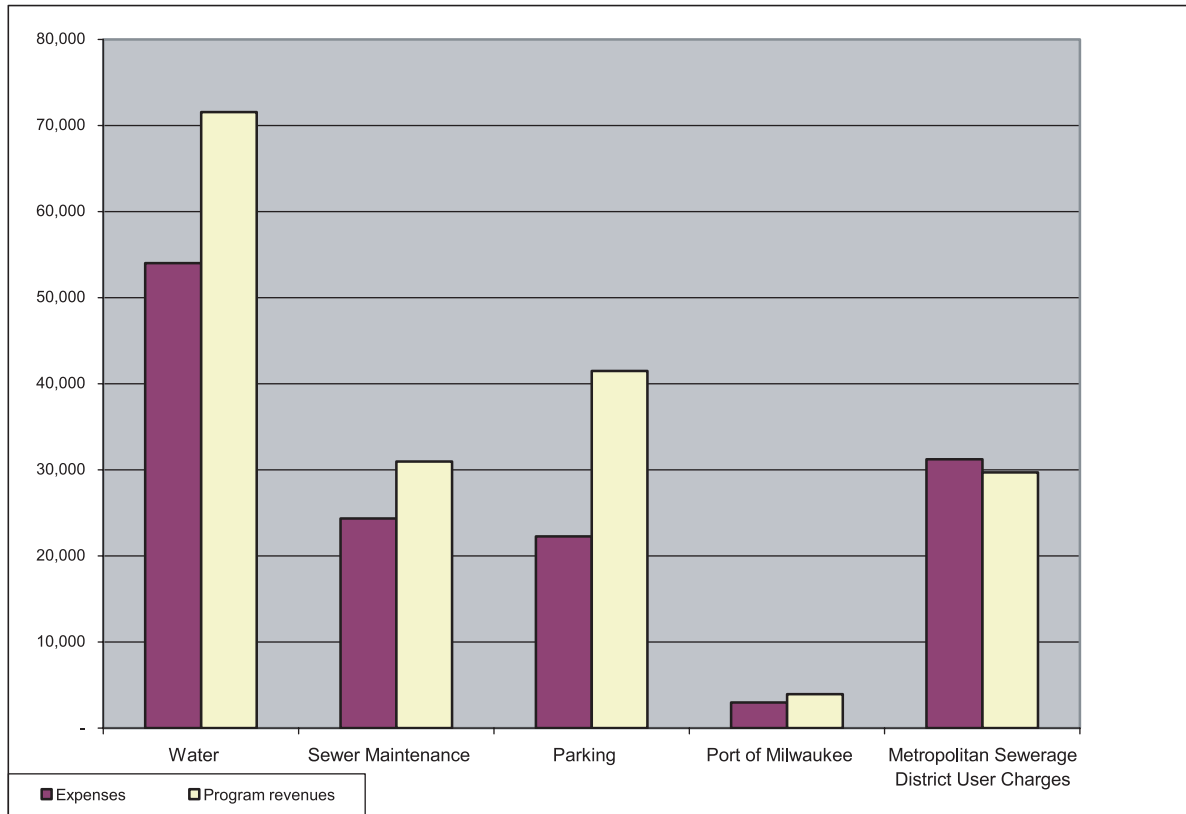
Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$52 million and operating income of \$19.4 million. The Sewer maintenance had operating income of \$13.4 million after generating expenses of \$17.5 million. The City parking facilities operating expenses during 2004 were \$21.1 million with net operating revenue of \$19.9 million.

Total revenues on Table 2 shows a decrease of \$2.3 million in 2004 compared to 2003, or 1.25%. Total expenses and transfers of all enterprise funds of the City remained relatively unchanged at \$157,510 compared to \$157,441 in 2003. This resulted in a net decrease of \$2.4 million in net assets during 2004. This decline in revenue can be attributed to the decline in water consumption, which is the basis for both the Water Works and the Sewer Maintenance Funds billing to its customers.

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Chart 2
2004 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed the year, its governmental funds (as presented in the balance sheet on Exhibits A-1) reported a combined fund balance of \$205.5 million, a decrease of \$8.7 million or 4% over last year. A major contributor for this decrease is due to the increase in the withdrawal from the Reserve for Tax Stabilization to fund 2004 budgeted general fund expenditures. This increase amounted to \$7.6 million from \$9.3 million in 2003 to \$16.9 million in 2004. The use of the Reserve was in compliance with the City policies and State Statutes governing its use. In addition, the expenditures for various capital projects (such as streets, tax incremental districts and special assessment projects) in advance of the issuance of debt resulted in a net fund deficit of \$12.3 million compared to a net deficit of \$2.5 million in 2003. Total debt issued for capital projects totaled \$72.3 million in 2004 compared to \$66 million in 2003. At year end, the capital projects associated with the Tax Incremental Districts incurred a fund deficit of \$18.7 million and for Streets, a \$6.2 million deficit. The fund balance deficit of \$13.1 million for special assessment capital projects remained constant compared to \$11.5 million in 2003. This

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deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years. Other capital project such as bridges, public buildings, fire, police, library, sewers, urban renewal, playgrounds and special projects netted a positive fund balance at year end of \$25.7 million.

The total reserves of the General Fund decreased 3.3% to \$87 million from \$90 million in 2003. Of this amount, \$16.7 will finance the 2005 budget, with \$33.9 available for 2006 and subsequent years' budgets.

Revenues for governmental functions overall totaled \$690.6 million in the fiscal year ended December 31, 2004, which represents a decrease of approximately 2.2% from the fiscal year ended December 31, 2003. Expenditures for governmental funds totaled \$821.7 million, a decrease of 1.4%. In the aggregate, expenditures exceeded revenues by \$131 million, or approximately 19%. Other financing sources lessen the gap, but did not close it; leaving the total net change in fund balances with a decrease of \$8.7 million for the year. In comparison for the year 2003, the total net change in fund balances resulted in a decrease of \$21 million. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$3 million or 3.3%. Key factors contributing to this decrease include 0.7% decline in revenues, to \$514.9 million; with a 1.4% increase in expenditures to \$553.1; and, an overall increase in revenue and other financing sources of 18.2%.

The following table presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 4
General Fund
Summary of Revenues, Expenditures and Other Financing Sources and Uses
(Thousands of Dollars)

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2003	2004	% Change	Expenditures:	2003	2004	% Change
Property taxes	\$ 126,749	\$ 129,120	1.87%	General Government.....	\$ 187,047	\$ 200,124	6.99%
Other taxes	4,318	3,563	-17.48%	Public Safety.....	240,261	231,371	-3.70%
Licenses and permits	10,883	11,530	5.95%	Public Works.....	86,335	89,562	3.74%
Intergovernmental	284,565	273,865	-3.76%	Health.....	10,677	10,724	0.44%
Charges for services	55,714	60,825	9.17%	Culture and recreation	17,165	17,822	3.83%
				Conservation and development	3,833	3,495	-8.82%
Fines and forfeits	6,115	5,647	-7.65%				
Contributions received	22,499	22,236	-1.17%	Total Expenditures	545,318	553,098	1.43%
Other	7,814	8,108	3.76%				
Total Revenues	518,657	514,894	-0.73%	Other Financing Uses			
Other Financing Sources				Transfers out	77	10	-87.01%
Debt proceeds	2,000	2,000	0.00%	Total Expenditures and other Financing Uses	\$ 545,395	\$ 553,108	1.41%
Transfers in	28,146	33,269	18.20%				
Total Revenues and Other Financing Sources .	549,366	550,163	0.15%				
Excess of Revenues over Expenditures	(26,661)	(38,204)	43.30%				
Net Change in over Expenditures	\$ 3,971	\$ (2,945)	-174.16%				

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

The General Obligation Debt Service Fund increased its fund balance from \$35.4 million to \$43.8 million primarily due to a 3.8% increase in revenues related to property taxes and other taxes. The Public Debt Amortization Fund showed a slight decrease of 2.3% from \$76.6 million to \$74.8 million at year-end for its fund balance. While Other Revenues, consisting of interest on investments, increased significantly from 2.9 million in 2003 to \$3.6 million in 2004, a significant 2003 transfer in from other funds did not occur in 2004; this contributed to its overall final decrease for its year end fund balance.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction, repair of major capital facilities other than those financed by proprietary funds. At year end, 2004 showed a deficit fund balance of \$12.3 million (an increase in the deficit of \$9.8 million from the \$2.5 million in 2003). In 2004, total debt proceeds amounted to \$72.3 million as compared to \$66 million in 2003, a 9.5% increase. Total revenues decreased 2.7% from \$26.3 million to \$25.6 million; expenditures also decreased from \$107.8 million to \$104.8 million or 2.8%. Due to the issuance of only one bond and note sale occurring during 2004 for capital purposes, the borrowing proceeds combined with revenues and transfers were insufficient to cover the current year's expenditures and prior year deficit. The detail of the deficit can be attributed to street projects of \$6.2 million, tax incremental districts of \$18.7 million, and special assessments of \$13.1 million. Other capital projects at year end had accumulated positive fund balances of \$25.7 million. Expenditures incurred prior to the issuance of debt are the leading reasons for the overall deficit in these funds.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$89. This was an increase from \$84.4 million at December 31, 2003 or 5.5%. This increase consists of, \$6.5 million in the Sewer Maintenance, \$3.1 million in the Parking, and a decreases of \$1.2 million in the Water Works and \$3.7 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds decreased 1% from 2003 - \$178.4 million to \$176.7 million in 2004; total operating expenses decreased to \$124.4 in 2004 from \$127.5 in 2003 or 2.4%. The Water Works is the largest enterprise activity for the City, comprising approximately 40% of the total operating revenues. The Sewer Maintenance Fund comprises almost 18% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2004 both revenues and water consumption have both gone down from the previous year. Specifically, the Water works revenues decreased by \$2.7 million and gallons sold decreased by 2.1 billion gallons. The 2004 decrease in gallons sold represents the largest decrease in the last five years, or over five times the decrease in 2003. In 2003, the gallons sold decreased by 479 million gallons. This is, in part explained by the cool summer Milwaukee experienced in 2004.

The Water Works had total operating and non-operating expenses of \$54.0 for 2004 compared to \$56.5 for 2003. Excluding depreciation expense, the transmission and distribution expenses decreased by \$3.0 million due to the 2003 major project involving painting and maintaining the Hawley Road Tank, whereas, in 2004 there was no similar project. Also, during 2004, 638 water main breaks occurred compared to 851 in 2003. This resulted in lower transmission and distribution expenses for 2004. Early in 2003, the Water Works experienced a large number of water main breaks. This surge in the level of main breaks caused an unusual increase in overtime pay and an increase in salaries and wages expenses. The non-operating expenses of the Water Works decreased by \$.233 due to the declining principal balances on outstanding debt.

The total operating expenses of all the enterprises funds, except Water Works, remained consistent with 2003 and decreased approximately 1.2%

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted two resolutions which increased the appropriations of the general fund due to greater than anticipated revenues. These increased budgets permitted departments to spend additional appropriations due to the increase in revenues related to the purpose being expended. \$439,000 was received from third party workers' compensation claims as insurance settlements during 2004. In addition, \$845,000 was received over the amounts anticipated in the budget relating to the Common Council's approval for the receipt and expenditure of funds for Federally Forfeited Tangible Property in accordance with the 21 U.S.C.8819(c) U.S. Attorney General's General Guidelines on Seized and Forfeited Property and other various contributions and donations which are accounted for as Other Financing sources and uses in the General Fund.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2003 less the encumbrances carried over to 2005. The Final budget includes the original budget as defined plus appropriations authorized for carry over from 2003 by Common Council less those appropriations authorized for carryover to 2005. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section, Exhibit E-1, the General Fund original budget for expenditures was \$525.8 million with the final budget at \$536.8 million. This is an increase over the fiscal year 2003 with original budget at \$515.2 million and final budget at \$530 million. The resulted increase was 2% and 1.3% for the original and final budgets, respectively.

The original budget relating to estimated revenues of the General Fund was \$485,261 with the Final budget increased by \$439 to \$485,700 per the authorized resolution detailed above. The 2004 original and final budgets as depicted in Exhibit E-1 show a less than one percent net change from the previous year or 0.35% decrease from the original 2003 budget, and a 0.59% decrease over the final 2003 budget of \$486,987 and \$488,573, respectively.

For the fiscal year ended December 31, 2004, the General Fund had a positive variance of \$6.9 million in revenues over estimated revenues. Revenue sources from property taxes, other taxes, licenses and permits, intergovernmental, charges for services, fines and forfeits, and other revenue remained constant compared to the total of the prior year. An overall decrease of \$3.5 million from 2003's total revenue of \$496,158 calculates to a total for 2004 of \$492,658, or a 0.7% decrease. While the categories indicate various individual fluctuations, the primary changes over 2003 actual revenue include \$10.6 million decrease in state shared revenues plus additional revenue generated in charges for services and collections on fines and forfeits. During 2004, the City generated additional deposits in the last quarter of the year as a result of a new recycling contract. This contract has earned \$1.2 million in 2004. Over \$1.1 million of re-inspection and razing fees were also recorded. In addition, in 2004, the City entered into a new contract with Milwaukee County for its Paramedic Program. This payment from the County for participating in the Advance Life Support Service was \$3.7 million and is reflected as revenue to the Fire Department rather than a grant payment. Collections on various fines and forfeits increased \$0.5 million, and interest income increased \$0.5 million and a net increase of \$0.1 in all other categories.

A favorable variance of \$4.3 million in unexpended budget resulted by year end 2004. The general government contributed \$3.1 million; public safety added \$1.1 million and public works, health culture and recreation and conservation and development, in the aggregate, added \$1.1 million. Several major savings in five departments over the amount budgeted contributed to 86%, or \$3.7 million, of these savings. The Comptroller saved \$0.7 million from the amount needed for the payment on the accrual for future salary expenditures and \$0.3 million savings in the aggregate of reduced bond issuance costs (as a result of only one bond sale during 2004), computer upgrade costs, and other various expenditure responsibilities. The Fire Department implemented a strict sick leave control policy during 2004 which drastically reduced the sick leave costs 27% and correspondingly reduced the need to hire auxiliary personnel at overtime costs. This resulted in a departmental savings of nearly \$1.1 million. The City Attorney's Office saved almost \$0.3 million combined for collection services and insurance expenditures. The Department of Employee Relations also saved almost \$0.3 on Unemployment Compensation and \$0.1 million on various Tuition Reimbursement requests by employees. Overall, the administrative department costs for the Employees' Retirement System also netted nearly \$0.9 million over budget in savings.

Overall the total 2004 expenditures increased \$9.5 million compared to 2003. However, salaries decreased \$4.1 million, primarily due to wage settlements and a management decision to incur significant police overtime during 2003. Purchases of equipment increased modestly by \$0.1 million. Operating expenditures increased \$13.5 million. This significant increase is due primarily to increased pension and health care costs. The total expenditures of approximately \$5.5 million were paid to the Employees' Retirement Plan for the city's contribution to the Employers' Reserve Fund. This will allow the City to reduce future liability and risk if the rate of return on investment falls below the actuarial estimate. In addition, the 2004 budget and expenditure includes an additional \$0.5 million to fund part of the unfunded past service liability of the Policemen's Annuity and Benefit Fund. This liability amount will be amortized beginning in 2004 over the next five years. As with other cities, health care costs and workers' compensation expenditures increased over \$7.5 million.

The City's General Fund's beginning fund balance of \$92.0 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$16.9 million. For budgetary purposes, this withdrawal is reflected as other financing sources, whereas for accounting purposes it is reflected as part of the fund balance. In addition, the 2003 appropriation short-fall for police overtime of \$2 million was funded by a short-term note issued in the Spring of 2004. The debt proceeds were reflected as other financing sources for the 2003 budgetary purposes and as 2004 other financing sources for accounting purposes.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Chart 3
2004 City Spending by Function - Governmental Funds

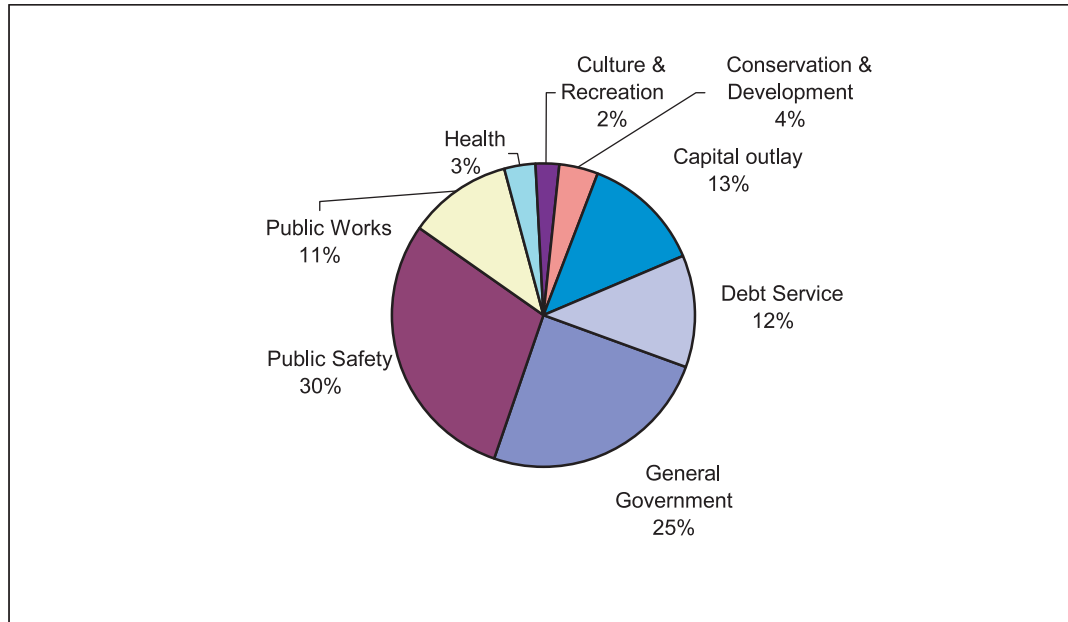
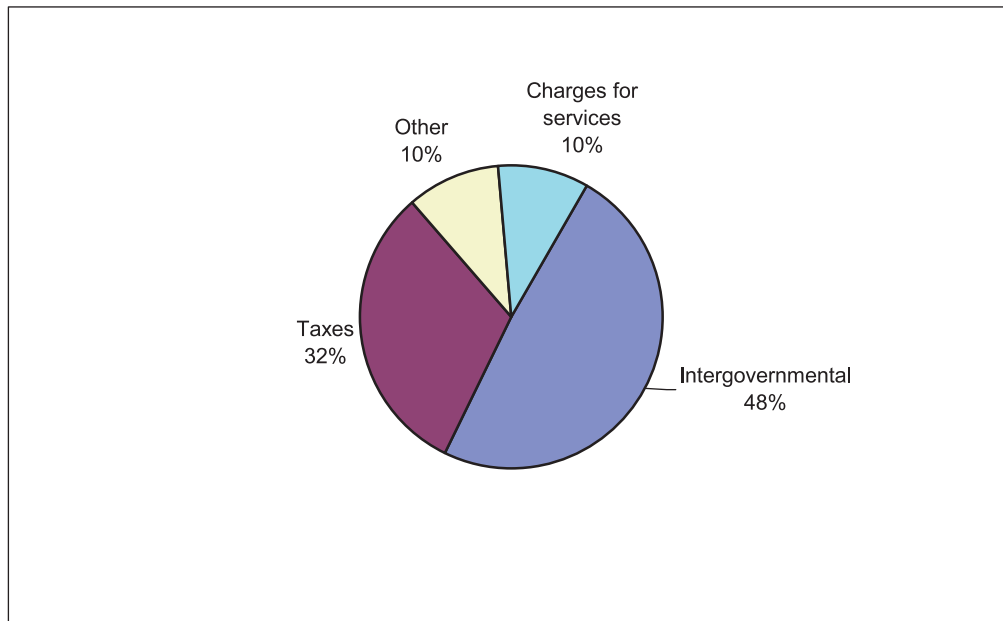


Chart 4
2004 Revenues by Source - Governmental Funds



CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2004, total \$1,502 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$27.8 million or 1.9%. Governmental activities' capital assets increased \$1.3 million. Business-type activities' capital assets increased \$26.5 million or 4.2% at the end of 2004. A schedule comparing the assets by type for 2003 and 2004 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$39 million and deletions were \$37.7 million for 2004 for governmental activities. The sewer maintenance fund had a net change in capital assets that resulted in an increase of \$17.7 million. Of the sewer maintenance fund's net assets at year end, 89% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 57.5% of its total net assets and 33.7% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 2%.

Table 5
Capital Assets
 (net of depreciation)
 (Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Capital assets not being depreciated:						
Land	\$ 163,536	\$ 163,552	\$ 18,794	\$ 18,388	\$ 182,330	\$ 181,940
Construction in progress	69,556	59,902	37,219	45,909	106,775	105,811
Capital assets being depreciated:.....						
Buildings	123,160	140,186	81,137	84,395	204,297	224,581
Infrastructure	1,244,214	1,263,394	552,259	576,906	1,796,473	1,840,300
Improvements other than buildings	8,720	8,733	24,484	24,457	33,204	33,190
Machinery and equipment	112,704	121,327	199,476	203,243	312,180	324,570
Furniture and furnishings	-	-	74	70	74	70
Nonutility property	-	-	540	540	540	540
Accumulated depreciation	(881,524)	(915,371)	(279,805)	(293,244)	(1,161,329)	(1,208,615)
Total	\$ 840,366	\$ 841,723	\$ 634,178	\$ 660,664	\$ 1,474,544	\$ 1,502,387

Debt

At year-end, the City had \$672.9 million in general obligation bonds and notes, \$0.3 million in capital lease payable, and \$74.7 million in revenue bonds outstanding as itemized in Table 6.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Table 6
Outstanding Debt
General Obligation and Revenue Bonds
(Thousand of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2003	2004	2003	2004	2003	2004
General obligation bonds (backed by the City)	\$ 598,275	\$ 618,988	\$ 61,807	\$ 53,943	\$ 660,082	\$ 672,931
Capital lease payable	523	349	-	-	523	349
Revenue bonds (backed by specific fee revenues)	-	-	76,528	74,690	76,528	74,690
Total	\$ 598,798	\$ 619,337	\$ 138,335	\$ 128,633	\$ 737,133	\$ 747,970

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$90.4 million, of which \$1.1 million related to the Port and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's April 2004 general obligation bonds issue.

The city's general obligation debt per capita, excluding enterprise fund debt, was \$953.36 at the end of 2004, a 2.4% increase from the prior year. As of December 31, 2004, the City's outstanding net general obligation debt was 2.41% of the City's equalized property value. The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 53% of this limit. For the 14th year, the City issued general obligation notes to purchase a portion of General Fund delinquent taxes in the amount of \$15 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total property taxes levied for all funds of the City in 2004 for 2005 purposes decreased \$.54 cents per thousand dollars of assessed valuation to a rate of \$9.19. There were no new fees for services. The Council supported the Mayor's recommendation to maintain the following fees for services provided by the Department of Public Works at the current 2004 levels:

- The Solid Waste Fee will remain at \$75. It will continue to generate \$13.9 million (43% recovery of cost) in 2005.
- The Snow and Ice Control Fee will remain at its current rate of \$0.2736 per foot of property frontage, and generate \$2.4 million.
- Leaf pick-up and street-sweeping costs are recovered through the City's sewer maintenance fee. These will be in the form of service charges to the Sewer Fund by the Department of Public Works-Operations Division. Revenue received for this service is projected at \$4.2 million in 2005.

The 2005 adopted City Budget is about \$1.1 billion with the budget for the General Fund at \$580 million. The General Fund budgets increased more than 2% over the 2004 budget of \$567 million. There is no question that escalating health care costs aggravate our fiscal condition. In 2005, the city will pay \$94.7 million for health insurance, an increase of 11.8% (adjusted for carryover of funds). The most visible city service level changes residents may notice in 2005 are reductions in library hours and certain boulevard plantings. There will also be a change in the way bulky items ("special pick-ups") are collected: bulky items will be collected on regularly scheduled garbage collection days; collection of major appliances will be discontinued; and brush will be collected only from March to November, with a reduction in the maximum amount of brush collected to 4 cubic yards.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Reductions in State Shared Revenue will again decrease; for 2005 this decrease will amount to \$1 million. The property tax levy will provide \$93.8 million revenue for the general city purposes budget in 2005. This represents an increase of \$8.7 million from 2004, but is partially offset by decreases in the tax levy for capital improvements, debt service, and employee retirement. The total city tax levy increased from \$199 million in 2004 to \$203 million in 2005 or a \$4 million increase. The 2005 budget includes \$60.1 million in revenue from charges for services, an increase of \$2.7 million. This category of funding encompasses revenue received for services provided by city operating departments. Charges for services revenue has steadily increased since 1995. The Assessor's Office has proposed a new service charge for appraisal services. This service charge would be charged for new construction and building additions/remodeling where an appraiser from the Assessor's Office is required to make an inspection of the property. Initial review of the proposal indicates that approximately \$500,000 could be generated by implementing this service charge. One of the city's top 2005 priorities is to work toward securing the city's financial future. The current atmosphere of fiscal stress experienced by the city is projected to continue in coming years. For this reason, the Budget and Management Division will develop a multi-year fiscal stability plan to guide future policy decisions. The plan will identify operating and capital revenue sources. The plan will also establish expenditure priorities that can be funded within the revenue sources. This process will involve elected officials, institutional stakeholders and the general public.

The City's population is beginning to show a minor but continual decline since 2000. The following table depicts this change over the last five years and represents a 2% decrease from 2000 to 2004:

2000	605,572
2001	595,508
2002	595,958
2003	595,245
2004	593,920

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2004
(Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 259,928	\$ 50,538	\$ 310,466	\$ 53,517
Investments	55,736	24,361	80,097	1,885
Receivables (net):				
Taxes	159,997	-	159,997	-
Accounts	16,333	23,811	40,144	4,605
Unbilled accounts	485	14,084	14,569	-
Special assessments	15,520	-	15,520	-
Notes and loans	44,952	-	44,952	80,015
Accrued interest	1,031	85	1,116	1,377
Due from component units	18,061	-	18,061	-
Due from primary government	-	-	-	3,597
Due from other governmental agencies	197,654	-	197,654	13,321
Inventory of materials and supplies	5,920	2,597	8,517	-
Inventory of property for resale	26	-	26	12,934
Prepaid items	562	13	575	1,501
Deferred charges	1,971	657	2,628	147
Other assets	<u>-</u>	<u>336</u>	<u>336</u>	<u>697</u>
Total non-capital assets	<u>778,176</u>	<u>116,482</u>	<u>894,658</u>	<u>173,596</u>
Capital assets:				
Capital assets not being depreciated:				
Land	163,552	18,388	181,940	55,788
Construction in progress	59,902	45,909	105,811	21,787
Capital assets being depreciated:				
Buildings	140,186	84,395	224,581	337,789
Infrastructure	1,263,394	576,906	1,840,300	-
Improvements other than buildings	8,733	24,457	33,190	258
Machinery and equipment	121,327	203,243	324,570	3,893
Furniture and furnishings	-	70	70	-
Nonutility property	-	540	540	-
Accumulated depreciation	<u>(915,371)</u>	<u>(293,244)</u>	<u>(1,208,615)</u>	<u>(181,483)</u>
Total Capital Assets	<u>841,723</u>	<u>660,664</u>	<u>1,502,387</u>	<u>238,032</u>
Total Assets	<u>1,619,899</u>	<u>777,146</u>	<u>2,397,045</u>	<u>411,628</u>

Exhibit 1 (Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit 2

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs	Expenses			
Primary government:				
Governmental Activities:				
General government	\$ 177,761	\$ 10,460	\$ 2,171	\$ -
Public safety	241,027	13,153	9,728	-
Public works	150,591	33,305	3,485	-
Health	27,251	911	16,625	-
Culture and recreation	29,014	2,412	1,910	-
Conservation and development	57,967	584	26,509	-
Capital contribution to Milwaukee Public				
Schools	15,686	-	-	-
Contributions	20,582	-	22,236	-
Interest on long-term debt	24,159	-	-	-
Total Governmental Activities	744,038	60,825	82,664	-
Business-type Activities:				
Water	54,030	71,579	-	2,093
Sewer Maintenance	24,361	30,959	-	-
Parking	22,283	41,470	-	-
Port of Milwaukee	2,981	3,943	-	143
Metropolitan Sewerage District				
User Charges	31,233	29,688	-	-
Total Business-type Activities	134,888	177,639	-	2,236
Total Primary Government	\$ 878,926	\$ 238,464	\$ 82,664	\$ 2,236
Component units:				
Housing Authority	\$ 87,306	\$ 16,684	\$ 54,250	\$ 8,142
Redevelopment Authority	11,113	2,236	9,774	-
Milwaukee Economic Development Authority	1,744	2,364	25	-
Neighborhood Improvement Development Corporation				
Corporation	4,018	1,486	3,768	-
Total Component Units	\$ 104,181	\$ 22,770	\$ 67,817	\$ 8,142

General revenues:

Property taxes and other taxes
State aids for General Fund
Grants and contributions not restricted to specific programs
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning, as Restated

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (165,130)		\$ (165,130)	
(218,146)		(218,146)	
(113,801)		(113,801)	
(9,715)		(9,715)	
(24,692)		(24,692)	
(30,874)		(30,874)	
(15,686)		(15,686)	
1,654		1,654	
(24,159)		(24,159)	
<u>(600,549)</u>		<u>(600,549)</u>	
-	19,642	19,642	
-	6,598	6,598	
-	19,187	19,187	
-	1,105	1,105	
-			
-	(1,545)	(1,545)	
-	44,987	44,987	
<u>(600,549)</u>	<u>44,987</u>	<u>(555,562)</u>	
			\$ (8,230)
			897
			645
			<u>1,236</u>
			<u>(5,452)</u>
217,762	-	217,762	-
273,865	-	273,865	-
-	-	-	-
56,321	797	57,118	2,576
22,622	(22,622)	-	-
<u>570,570</u>	<u>(21,825)</u>	<u>548,745</u>	<u>2,576</u>
(29,979)	23,162	(6,817)	(2,876)
<u>425,762</u>	<u>603,251</u>	<u>1,029,013</u>	<u>305,036</u>
<u>\$ 395,783</u>	<u>\$ 626,413</u>	<u>\$ 1,022,196</u>	<u>\$ 302,160</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 118,556
Investments	282
Receivables (net):	
Taxes	102,499
Accounts	10,901
Unbilled accounts	485
Special assessments	-
Notes and loans	299
Accrued interest	840
Due from other funds	27,583
Due from component units	2,026
Due from other governmental agencies	668
Advances to other funds	13,431
Inventory of materials and supplies	5,658
Inventory of property for resale	26
Prepaid items	271
Total Assets	<u>\$ 283,525</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 25,457
Accrued expenses	23,053
Due to other funds	1,566
Due to component units	6
Due to other governmental agencies	1
Deferred revenue	146,406
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>196,489</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	30,288
Reserved for inventory	5,684
Reserved for mortgage trust	282
Reserved for environmental remediation	303
Reserved for tax stabilization - 2005	16,621
Reserved for tax stabilization - 2006 and subsequent years' budgets and advances to other funds	33,858
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>87,036</u>
Total Liabilities and Fund Balances	<u>\$ 283,525</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 80,337	\$ 19,328	\$ 28,272	\$ 13,435	\$ 259,928
-	55,454	-	-	55,736
40,420	-	7,627	9,451	159,997
-	-	3,019	2,413	16,333
-	-	-	-	485
-	-	15,520	-	15,520
36,681	-	-	7,972	44,952
138	52	-	1	1,031
291	-	-	-	27,874
15,641	-	-	394	18,061
172,000	-	13,820	11,166	197,654
-	-	-	-	13,431
-	-	262	-	5,920
-	-	-	-	26
-	291	-	-	562
<u>\$ 345,508</u>	<u>\$ 75,125</u>	<u>\$ 68,520</u>	<u>\$ 44,832</u>	<u>\$ 817,510</u>
\$ -	\$ -	\$ 9,990	\$ 6,455	\$ 41,902
-	-	-	-	23,053
8,768	291	12,562	5,241	28,428
-	-	2,661	930	3,597
-	-	3,900	951	4,852
120,933	-	38,254	19,134	324,727
172,000	-	-	-	172,000
-	-	13,431	-	13,431
<u>301,701</u>	<u>291</u>	<u>80,798</u>	<u>32,711</u>	<u>611,990</u>
43,807	74,834	-	8,960	127,601
-	-	-	7,335	7,335
-	-	-	3	3
-	-	576	-	30,864
-	-	262	-	5,946
-	-	-	-	282
-	-	-	-	303
-	-	-	-	16,621
-	-	-	-	33,858
-	-	-	(4,177)	(4,177)
-	-	(13,116)	-	(13,116)
43,807	74,834	(12,278)	12,121	205,520
<u>\$ 345,508</u>	<u>\$ 75,125</u>	<u>\$ 68,520</u>	<u>\$ 44,832</u>	<u>\$ 817,510</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 205,520

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 163,552
Buildings, net of \$62,116 accumulated depreciation	78,070
Infrastructure, net of \$768,943 accumulated depreciation	494,451
Improvements Other than buildings, net of \$6,750 accumulated depreciation	1,983
Machinery and equipment, net of \$77,562 accumulated depreciation	43,765
Construction in progress	<u>59,902</u>

841,723

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds.

1,971

Some revenues are deferred in the funds because they are not available to pay current period's expenditures.

Taxes to be collected after year end	6,387
Special assessments to be collected after year end	14,470
Notes and loans receivable to repay long-term bonds and notes	<u>36,681</u>

57,538

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Accrued interest payable	(8,506)
Bonds and Notes Payable	(618,988)
Deferred amount on refunding	8,372
Unamortized premiums	(25,559)
Compensated absences	(37,003)
Claims and judgments	(28,936)
Capitalized lease	<u>(349)</u>

(710,969)

Total net assets of governmental activities (Exhibit 1)

\$ 395,783

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 129,120
Other taxes	3,563
Special assessments	-
Licenses and permits	11,530
Intergovernmental	273,865
Charges for services	60,825
Fines and forfeits	5,647
Contributions received	22,236
Other	8,108
Total Revenues	<u>514,894</u>
Expenditures:	
Current:	
General government	200,124
Public safety	231,371
Public works	89,562
Health	10,724
Culture and recreation	17,822
Conservation and development	3,495
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>553,098</u>
Excess (deficiency) of Revenues over Expenditures	<u>(38,204)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	2,000
Issuance premium	-
Transfers in	33,269
Transfers out	(10)
Total Other Financing Sources and Uses	<u>35,259</u>
Net Change in Fund Balances	(2,945)
Fund Balances - Beginning	<u>89,981</u>
Fund Balances - Ending	<u>\$ 87,036</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 53,995	\$ -	\$ 12,077	\$ 3,746	\$ 198,938
13,948	1,773	-	-	19,284
-	-	4,665	-	4,665
-	-	-	-	11,530
1,482	-	5,418	56,293	337,058
5,584	-	-	-	66,409
-	-	-	-	5,647
-	-	-	-	22,236
<u>3,218</u>	<u>3,611</u>	<u>3,392</u>	<u>6,482</u>	<u>24,811</u>
<u>78,227</u>	<u>5,384</u>	<u>25,552</u>	<u>66,521</u>	<u>690,578</u>
-	3	-	3,204	203,331
-	-	-	9,729	241,100
-	-	-	3,485	93,047
-	-	-	16,641	27,365
-	-	-	1,914	19,736
-	-	-	31,134	34,629
-	-	104,842	-	104,842
68,618	-	-	-	68,618
28,620	-	-	-	28,620
411	-	-	-	411
<u>97,649</u>	<u>3</u>	<u>104,842</u>	<u>66,107</u>	<u>821,699</u>
<u>(19,422)</u>	<u>5,381</u>	<u>(79,290)</u>	<u>414</u>	<u>(131,121)</u>
-	-	72,331	15,000	89,331
10,467	-	-	-	10,467
24,043	-	-	-	57,312
<u>(6,646)</u>	<u>(7,183)</u>	<u>(2,795)</u>	<u>(18,056)</u>	<u>(34,690)</u>
<u>27,864</u>	<u>(7,183)</u>	<u>69,536</u>	<u>(3,056)</u>	<u>122,420</u>
8,442	(1,802)	(9,754)	(2,642)	(8,701)
<u>35,365</u>	<u>76,636</u>	<u>(2,524)</u>	<u>14,763</u>	<u>214,221</u>
<u>\$ 43,807</u>	<u>\$ 74,834</u>	<u>\$ (12,278)</u>	<u>\$ 12,121</u>	<u>\$ 205,520</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ (8,701)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$44,246) exceeded depreciation expense (\$42,361) in the current period less loss on disposals (\$528) 1,357

Notes and loans receivable to repay long-term bonds and notes (3,346)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.

Taxes accrued in prior years	\$ (460)	
Special assessments deferred revenue beginning of the year \$12,623 less deferred at end of the year \$14,470	1,847	
		1,387

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
Bonds and notes issued	(89,331)	
Issuance premiums	(10,467)	
Repayments:		
Principal retirement	68,618	
Bond issuance costs	679	
Capital lease current payment	174	
Amortization:		
Issuance costs	(445)	
Premiums	6,820	
Deferred amount on refunding	(1,530)	
		(25,482)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.

Compensated absences	767	
Claims and judgments	4,868	
Accrued interest on bonds and notes	(829)	
		4,806

Changes in net assets of governmental activities (Exhibit 2) **\$ (29,979)**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 5,225	\$ 13,097	\$ 24,092	\$ 1	\$ 42,415
Restricted cash and cash equivalents	610	-	-	-	610
Investments	24,361	-	-	-	24,361
Receivables (net):					
Accounts	10,149	7,003	-	6,659	23,811
Unbilled accounts	9,585	2,397	-	2,102	14,084
Accrued interest	70	15	-	-	85
Due from other funds	8,030	981	-	836	9,847
Inventory of materials and supplies	2,597	-	-	-	2,597
Prepaid items	13	-	-	-	13
Deferred charges	-	657	-	-	657
Other assets	336	-	-	-	336
Total Current Assets	<u>60,976</u>	<u>24,150</u>	<u>24,092</u>	<u>9,598</u>	<u>118,816</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	7,513	-	-	7,513
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,913	7,907	18,388
Construction in progress	20,251	23,938	1,548	172	45,909
Capital assets being depreciated:					
Buildings	22,987	-	49,076	12,332	84,395
Infrastructure	275,709	301,197	-	-	576,906
Improvements other than buildings	-	-	5,630	18,827	24,457
Machinery and equipment	195,798	1,887	1,011	4,547	203,243
Furniture and furnishings	-	22	-	48	70
Nonutility property	540	-	-	-	540
Accumulated depreciation	<u>(157,731)</u>	<u>(90,203)</u>	<u>(23,390)</u>	<u>(21,920)</u>	<u>(293,244)</u>
Total Noncurrent Assets	<u>359,122</u>	<u>244,354</u>	<u>42,788</u>	<u>21,913</u>	<u>668,177</u>
Total Assets	<u>420,098</u>	<u>268,504</u>	<u>66,880</u>	<u>31,511</u>	<u>786,993</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 4,630	\$ 2,799	\$ 2,106	\$ 5,807	\$ 15,342
Accrued expenses	1,012	541	359	96	2,008
Accrued interest payable	449	-	193	63	705
Compensated absences	943	-	-	-	943
Due to other funds	3,198	-	-	6,095	9,293
Deferred revenue	-	-	112	48	160
General obligation debt payable - current	4,851	-	3,767	506	9,124
Revenue bonds payable - current	824	-	-	-	824
Total Current Liabilities	<u>15,907</u>	<u>3,340</u>	<u>6,537</u>	<u>12,615</u>	<u>38,399</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	-	2,390	-	-	2,390
Accrued interest payable	-	234	-	-	234
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>2,624</u>	<u>-</u>	<u>-</u>	<u>2,624</u>
Noncurrent Liabilities:					
General obligation debt	28,379	-	12,939	4,051	45,369
Revenue bonds payable	12,921	61,267	-	-	74,188
Total Noncurrent Liabilities	<u>41,300</u>	<u>61,267</u>	<u>12,939</u>	<u>4,051</u>	<u>119,557</u>
Total Liabilities	<u>57,207</u>	<u>67,231</u>	<u>19,476</u>	<u>16,666</u>	<u>160,580</u>
Net Assets:					
Invested in capital assets, net of related debt	312,147	173,184	26,526	17,356	529,213
Restricted for Debt Service	610	7,513	-	-	8,123
Unrestricted	<u>50,134</u>	<u>20,576</u>	<u>20,878</u>	<u>(2,511)</u>	<u>89,077</u>
Total Net Assets	<u>\$ 362,891</u>	<u>\$ 201,273</u>	<u>\$ 47,404</u>	<u>\$ 14,845</u>	<u>\$ 626,413</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 57,914	\$ -	\$ -	\$ -	\$ 57,914
Statutory sewer user fee	-	-	-	28,145	28,145
Sewer maintenance fee	-	30,948	-	-	30,948
Rent	-	-	6,902	3,943	10,845
Fire protection service	5,897	-	-	-	5,897
Parking meters	-	-	4,354	-	4,354
Parking permits	-	-	2,853	-	2,853
Vehicle towing	-	-	4,931	-	4,931
Parking forfeitures	-	-	22,006	-	22,006
Other	7,258	11	-	1,543	8,812
Total Operating Revenues	71,069	30,959	41,046	33,631	176,705
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	25,963	25,963
Employee services	-	6,573	6,248	1,321	14,142
Administrative and general	4,919	-	-	32	4,951
Depreciation	11,726	3,968	2,212	730	18,636
Transmission and distribution	16,702	-	-	3,358	20,060
Services, supplies and materials	-	6,984	12,732	747	20,463
Water treatment	9,997	-	-	-	9,997
Water pumping	6,134	-	-	-	6,134
Billing and collection	2,233	-	-	1,785	4,018
Total Operating Expenses	51,711	17,525	21,192	33,936	124,364
Operating Income (Loss)	19,358	13,434	19,854	(305)	52,341
Nonoperating Revenues (Expenses):					
Investment income	477	320	-	-	797
Interest expense	(2,319)	(2,627)	(1,091)	(278)	(6,315)
Gain (loss) on disposal of fixed assets	-	-	289	-	289
Other	510	(4,209)	135	-	(3,564)
Total Nonoperating Revenues (Expenses)	(1,332)	(6,516)	(667)	(278)	(8,793)
Income (Loss) before Contributions and Transfers..	18,026	6,918	19,187	(583)	43,548
Capital contributions	2,093	-	-	143	2,236
Transfers in	-	-	-	566	566
Transfers out	(7,900)	-	(13,611)	(1,677)	(23,188)
Change in Net Assets	12,219	6,918	5,576	(1,551)	23,162
Total Net Assets - Beginning	350,672	194,355	41,828	16,396	603,251
Total Net Assets - Ending	<u>\$ 362,891</u>	<u>\$ 201,273</u>	<u>\$ 47,404</u>	<u>\$ 14,845</u>	<u>\$ 626,413</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 72,179	\$ 31,798	\$ 41,047	\$ 34,329	\$ 179,353
Cash receipts from other funds	892	-	-	-	892
Other operating cash receipts	-	11	-	-	11
Payments to suppliers	(13,071)	(6,676)	(11,454)	(32,638)	(63,839)
Payments to employees	(21,631)	(6,525)	(6,219)	(1,343)	(35,718)
Payments from other funds	-	-	-	2,030	2,030
Payments to other funds	<u>(3,387)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,387)</u>
Net Cash Provided by Operating Activities.....	<u>34,982</u>	<u>18,608</u>	<u>23,374</u>	<u>2,378</u>	<u>79,342</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	510	-	-	135	645
Other nonoperating expenses	-	(4,209)	-	-	(4,209)
Transfers from other funds	-	-	-	566	566
Transfers to other funds	<u>(7,900)</u>	<u>-</u>	<u>(13,611)</u>	<u>(1,677)</u>	<u>(23,188)</u>
Net Cash Used for Noncapital Financing Activities	<u>(7,390)</u>	<u>(4,209)</u>	<u>(13,611)</u>	<u>(976)</u>	<u>(26,186)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	470	470
Proceeds from sale of bonds and notes	-	-	600	505	1,105
Acquisition of property, plant and equipment	(16,724)	(21,634)	(1,613)	(3,718)	(43,689)
Retirement of bonds, notes and revenue bonds	(5,810)	(1,035)	(3,622)	(339)	(10,806)
Interest paid	(2,233)	(2,827)	(894)	(216)	(6,170)
Other	<u>-</u>	<u>-</u>	<u>459</u>	<u>-</u>	<u>459</u>
Net Cash Used for Capital and Related Financing Activities	<u>(24,767)</u>	<u>(25,496)</u>	<u>(5,070)</u>	<u>(3,298)</u>	<u>(58,631)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	439	326	-	-	765
Purchase of investments	<u>(9,360)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,360)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(8,921)</u>	<u>326</u>	<u>-</u>	<u>-</u>	<u>(8,595)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,096)	(10,771)	4,693	(1,896)	(14,070)
Cash and Cash Equivalents - Beginning	<u>11,931</u>	<u>31,381</u>	<u>19,399</u>	<u>1,897</u>	<u>64,608</u>
Cash and Cash Equivalents - Ending	<u>\$ 5,835</u>	<u>\$ 20,610</u>	<u>\$ 24,092</u>	<u>\$ 1</u>	<u>\$ 50,538</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash	\$ 5,835	\$ 13,097	\$ 24,092	\$ 1	\$ 43,025
Restricted Cash	-	7,513	-	-	7,513
	<u>\$ 5,835</u>	<u>\$ 20,610</u>	<u>\$ 24,092</u>	<u>\$ 1</u>	<u>\$ 50,538</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 19,358	\$ 13,434	\$ 19,854	\$ (305)	\$ 52,341
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	11,726	3,968	2,212	730	18,636
Changes in assets and liabilities:					
Receivables	927	979	-	697	2,603
Due from other funds	892	(129)	-	(124)	639
Inventories	(12)	-	-	-	(12)
Prepaid items	(4)	-	-	-	(4)
Other assets	(160)	-	-	-	(160)
Accounts payable	2,324	308	1,278	(753)	3,157
Accrued liabilities	(69)	48	29	(23)	(15)
Due to other funds	-	-	-	2,154	2,154
Deferred revenue	-	-	1	2	3
Net Cash Provided by Operating Activities	<u>\$ 34,982</u>	<u>\$ 18,608</u>	<u>\$ 23,374</u>	<u>\$ 2,378</u>	<u>\$ 79,342</u>

Non-cash Activities:

During the year, the city disposed of parking assets of \$35 thousand net book value.

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$2.093 million.

During the year, the Sewer Maintenance Fund donated or disposed of fixed assets with a net value of \$2.288 million.

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 29,995	\$ -
Private donations	-	1,432
Total Contributions	<u>29,995</u>	<u>1,432</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest	<u>41,715</u>	<u>201</u>
Total Additions	<u>71,710</u>	<u>1,633</u>
Deductions		
Benefits	21,256	-
Fees remitted from Trust	-	584
Other	-	905
Administrative expenses	<u>165</u>	<u>-</u>
Total Deductions	<u>21,421</u>	<u>1,489</u>
Change in Net Assets	50,289	144
Net Assets - Beginning	<u>418,047</u>	<u>7,027</u>
Net Assets - Ending	<u>\$468,336</u>	<u>\$ 7,171</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 20,186	\$ 21,164	\$ 9,397	\$ 2,770	\$ 53,517
Investments	567	-	1,018	300	1,885
Receivables (net):					
Accounts	3,293	816	406	90	4,605
Notes and loans	15,410	14,820	36,490	13,295	80,015
Accrued interest	931	64	226	156	1,377
Due from primary government	214	2,758	2	623	3,597
Due from other governmental agencies	7,414	2,103	3,743	61	13,321
Inventory of property for resale	1,729	8,396	1,495	1,314	12,934
Prepaid items	1,478	21	-	2	1,501
Deferred charges	-	147	-	-	147
Other assets	<u>524</u>	<u>-</u>	<u>173</u>	<u>-</u>	<u>697</u>
Total Noncapital Assets	<u>51,746</u>	<u>50,289</u>	<u>52,950</u>	<u>18,611</u>	<u>173,596</u>
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	46,681	9,107	-	-	55,788
Construction in progress	21,787	-	-	-	21,787
Capital assets being depreciated:					
Buildings	320,160	17,629	-	-	337,789
Improvements other than buildings	258	-	-	-	258
Machinery and equipment	3,792	-	96	5	3,893
Accumulated depreciation	<u>(180,908)</u>	<u>(510)</u>	<u>(61)</u>	<u>(4)</u>	<u>(181,483)</u>
Total Capital Assets, Net of Depreciation	<u>211,770</u>	<u>26,226</u>	<u>35</u>	<u>1</u>	<u>238,032</u>
Total Assets	<u>263,516</u>	<u>76,515</u>	<u>52,985</u>	<u>18,612</u>	<u>411,628</u>

Exhibit D-1 (Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit D-2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Housing Authority				
Low income housing	\$ 87,306	\$ 16,684	\$ 54,250	\$ 8,142
Redevelopment Authority				
Prevention and elimination of blight	11,113	2,236	9,774	-
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	1,744	2,364	25	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>4,018</u>	<u>1,486</u>	<u>3,768</u>	<u>-</u>
Total Component Units	<u>\$104,181</u>	<u>\$ 22,770</u>	<u>\$ 67,817</u>	<u>\$ 8,142</u>

General revenues:

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning, as Restated.....

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ (8,230)	\$ -	\$ -	\$ -	\$ (8,230)
-	897	-	-	897
-	-	645	-	645
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,236</u>	<u>1,236</u>
<u>(8,230)</u>	<u>897</u>	<u>645</u>	<u>1,236</u>	<u>(5,452)</u>
<u>2,149</u>	<u>261</u>	<u>147</u>	<u>19</u>	<u>2,576</u>
<u>2,149</u>	<u>261</u>	<u>147</u>	<u>19</u>	<u>2,576</u>
(6,081)	1,158	792	1,255	(2,876)
<u>223,517</u>	<u>17,264</u>	<u>48,775</u>	<u>15,480</u>	<u>305,036</u>
<u>\$217,436</u>	<u>\$ 18,422</u>	<u>\$ 49,567</u>	<u>\$ 16,735</u>	<u>\$302,160</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a nonprofit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the Governmental Accounting Standards Board (GASB) Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water Works - All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire, landscape and construct parking lots and structures.

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for the City's deferred compensation plan, employee flexible spending and group life insurance.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2004 that will be collected in 2005 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines and forfeits are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day to day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short-term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

G. Unbilled Services

Unbilled water and sewer services at year end are recognized as revenues and receivables in the accompanying financial statements.

H. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

I. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

J. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

K. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

L. Capital Assets

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

M. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

N. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

O. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

P. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

Q. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

R. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

S. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

T. Interfund Transactions

The City has the following types of interfund transactions:

Loans - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

U. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. New Accounting Pronouncements

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement will revise the deposit and investment risks disclosed in the notes to the financial statements. The City will implement Statement No. 40 beginning with the year ending December 31, 2005.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will establish uniform financial reporting standards for other post employment benefits. The City will implement Statement No. 45 beginning with the year ending December 31, 2007.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet. The Debt Service Funds, Water Works Enterprise Fund, and component units maintain separate cash and investments. In addition, investments are separately held by several other City funds. No violations of legal provisions for deposits and investments were committed during the year.

Deposits

At December 31, 2004, the reported amount of the City's deposits and cash on hand for governmental, \$390,563,000 business-type activities, and fiduciary activities was \$402,285,000 and the related bank balance was \$404,476,000. Of the total bank balances, which are maintained by the City Treasurer, \$5,300,000 is entirely insured and \$272,810,000 is collateralized by securities held in the pledging banks' trust departments in the City's name. The remaining balance of \$126,366,000 is neither insured nor collateralized, nor was this amount significantly exceeded during the year.

At December 31, 2004, the reported amount of the City's deposits and cash on hand for component units was \$15,489,000 and the related bank balance was \$16,206,000. Of the components units deposits \$2,565,000 are entirely insured and \$13,641,000 are uninsured and uncollateralized at the end of the year.

Cash Equivalents and Investments

The City's primary government and component units cash equivalents and investments are categorized as either (1) insured or registered or securities held by the City or its agent in the City's name, (2) uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name or (3) uninsured or unregistered with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Cash and investments with fiscal agents include \$2,424,185 placed in trust for Housing Authority debt retirement, \$8,759,851 for Redevelopment Authority debt retirement.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Governmental and business-type activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
U.S. Treasury Obligations	\$ -	\$ 38,536	\$ -	\$ 38,536	\$ 38,536
U.S. Agency Securities	-	50,780	-	50,780	50,780
Capital Appreciation Bonds	-	13,430	-	13,430	13,430
Municipal Bonds and Notes	-	-	3,488	3,488	3,488
	<u>\$ -</u>	<u>\$ 102,746</u>	<u>\$ -</u>	106,234	106,234
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				7,794	7,794
Local Government Pooled - Investment Fund				123,646	123,646
Total Cash Equivalents and Investments				<u>\$ 237,674</u>	<u>\$ 237,674</u>
Fiduciary activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
U.S. Treasury Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 4,753	\$ 4,753
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				149	149
Deferred Compensation Investments				468,202	468,202
Total Cash Equivalents and Investments				<u>\$ 473,104</u>	<u>\$ 473,104</u>
Component Units:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
Securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				2,424	2,424
Local Government Pooled - Investment Fund				28,097	28,097
U.S. Government Money Market				9,220	9,220
Investments in partnerships				172	172
Total Cash Equivalents and Investments				<u>\$ 39,913</u>	<u>\$ 39,913</u>

The pooled investments have not been categorized based on custodial risk because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship. The Local Government Pooled – Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

CITY OF MILWAUKEE
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At December 31, 2004, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
1999 and prior	\$ 1,177	\$ 1,564	\$ 2,741
2000	291	400	691
2001	625	866	1,491
2002	1,904	2,668	4,572
2003	<u>5,630</u>	<u>8,324</u>	<u>13,954</u>
Total delinquent property taxes receivable	<u>\$ 9,627</u>	<u>\$ 13,822</u>	23,449
Property taxes receivable on foreclosed property			14,970
Less: Allowance for uncollectible taxes			<u>(15,219)</u>
Net delinquent property taxes receivable, including tax deeded property			<u>\$ 23,200</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance 01-01-04	Additions	Deletions	Balance 12-31-04
		<i>(Thousands of Dollars)</i>		
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 163,536	\$ 17	\$ 1	\$ 163,552
Construction in progress	<u>69,556</u>	<u>27,533</u>	<u>37,187</u>	<u>59,902</u>
Total capital assets not being depreciated	<u>233,092</u>	<u>27,550</u>	<u>37,188</u>	<u>223,454</u>
<i>Capital assets being depreciated:</i>				
Buildings	123,160	17,478	452	140,186
Infrastructure.....	1,244,214	21,321	2,141	1,263,394
Improvements other than buildings	8,720	13	-	8,733
Machinery and equipment	<u>112,704</u>	<u>15,323</u>	<u>6,700</u>	<u>121,327</u>
Total capital assets being depreciated	<u>1,488,798</u>	<u>54,135</u>	<u>9,293</u>	<u>1,533,640</u>
Less accumulated depreciation for:				
Buildings	59,714	2,783	381	62,116
Infrastructure	740,193	30,892	2,142	768,943
Improvements other than buildings	6,541	209	-	6,750
Machinery and equipment	<u>75,076</u>	<u>8,729</u>	<u>6,243</u>	<u>77,562</u>
Total accumulated depreciation	<u>881,524</u>	<u>42,613</u>	<u>8,766</u>	<u>915,371</u>
Total capital assets being depreciated, net	<u>607,274</u>	<u>11,522</u>	<u>527</u>	<u>618,269</u>
Government activity capital assets, net	<u>\$ 840,366</u>	<u>\$ 39,072</u>	<u>\$ 37,715</u>	<u>\$ 841,723</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 164
Public safety				4,802
Public works				36,525
Health				315
Culture and recreation				552
Conservation and development				<u>3</u>
Total				<u>\$ 42,361</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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	Balance 01-01-04	Additions	Deletions	Balance 12-31-04
Business-type activities		<i>(Thousands of Dollars)</i>		
Waterworks				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,568	\$ -	\$ -	\$ 1,568
Construction in progress	16,440	18,618	14,807	20,251
Total capital assets not being depreciated	18,008	18,618	14,807	21,819
<i>Capital assets being depreciated:</i>				
Buildings	22,362	625	-	22,987
Infrastructure	266,638	9,569	498	275,709
Machinery and equipment	192,359	4,613	1,174	195,798
Nonutility property	540	-	-	540
Total capital assets being depreciated	481,899	14,807	1,672	495,034
Less accumulated depreciation for:				
Buildings	12,885	712	-	13,597
Infrastructure	66,773	3,198	695	69,276
Machinery and equipment	68,092	7,815	1,176	74,731
Nonutility property	125	2	-	127
Total accumulated depreciation	147,875	11,727	1,871	157,731
Total capital assets being depreciated, net	334,024	3,080	(199)	337,303
Waterworks capital assets, net	352,032	21,698	14,608	359,122
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	20,580	17,768	14,410	23,938
Total capital assets not being depreciated	20,580	17,768	14,410	23,938
<i>Capital assets being depreciated:</i>				
Infrastructure	285,621	17,855	2,279	301,197
Machinery and equipment	1,467	420	-	1,887
Furniture and furnishings	22	-	-	22
Total capital assets being depreciated	287,110	18,275	2,279	303,106
Less accumulated depreciation for:				
Infrastructure	87,869	3,819	2,279	89,409
Machinery and equipment	634	146	-	780
Furniture and furnishings	11	3	-	14
Total accumulated depreciation	88,514	3,968	2,279	90,203
Total capital assets being depreciated, net	198,596	14,307	-	212,903
Sewer maintenance capital assets, net	219,176	32,075	14,410	236,841

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	Balance 01-01-04	Additions	Deletions	Balance 12-31-04
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,946	\$ -	\$ 33	\$ 8,913
Construction in progress	<u>161</u>	<u>1,387</u>	<u>-</u>	<u>1,548</u>
Total capital assets not being depreciated	<u>9,107</u>	<u>1,387</u>	<u>33</u>	<u>10,461</u>
<i>Capital assets being depreciated:</i>				
Buildings	49,076	-	-	49,076
Improvements other than buildings	5,657	-	27	5,630
Machinery and equipment	<u>785</u>	<u>226</u>	<u>-</u>	<u>1,011</u>
Total capital assets being depreciated	<u>55,518</u>	<u>226</u>	<u>27</u>	<u>55,717</u>
Less accumulated depreciation for:				
Buildings	18,444	1,888	-	20,332
Improvements other than buildings	2,539	234	26	2,747
Machinery and equipment	<u>221</u>	<u>90</u>	<u>-</u>	<u>311</u>
Total accumulated depreciation	<u>21,204</u>	<u>2,212</u>	<u>26</u>	<u>23,390</u>
Total capital assets being depreciated, net	<u>34,314</u>	<u>(1,986)</u>	<u>1</u>	<u>32,327</u>
Parking capital assets, net	<u>43,421</u>	<u>(599)</u>	<u>34</u>	<u>42,788</u>
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	8,280	250	623	7,907
Construction in progress	<u>38</u>	<u>172</u>	<u>38</u>	<u>172</u>
Total capital assets not being depreciated	<u>8,318</u>	<u>422</u>	<u>661</u>	<u>8,079</u>
<i>Capital assets being depreciated:</i>				
Buildings	9,699	3,334	701	12,332
Improvements other than buildings	18,827	-	-	18,827
Machinery and equipment	4,865	-	318	4,547
Furniture and Furnishings	<u>52</u>	<u>-</u>	<u>4</u>	<u>48</u>
Total capital assets being depreciated	<u>33,443</u>	<u>3,334</u>	<u>1,023</u>	<u>35,754</u>
Less accumulated depreciation for:				
Buildings	6,225	147	701	5,671
Improvements other than buildings	12,570	394	-	12,964
Machinery and equipment	3,384	186	318	3,252
Furniture and furnishings	<u>33</u>	<u>4</u>	<u>4</u>	<u>33</u>
Total accumulated depreciation	<u>22,212</u>	<u>731</u>	<u>1,023</u>	<u>21,920</u>
Total capital assets being depreciated, net	<u>11,231</u>	<u>2,603</u>	<u>-</u>	<u>13,834</u>
Other business-type activities, net	<u>19,549</u>	<u>3,025</u>	<u>661</u>	<u>21,913</u>
Business-type activity capital assets, net	<u><u>\$ 634,178</u></u>	<u><u>\$ 56,199</u></u>	<u><u>\$ 29,713</u></u>	<u><u>\$ 660,664</u></u>

CITY OF MILWAUKEE
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	Balance 01-01-04	Additions	Deletions	Balance 12-31-04
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 55,990	\$ 142	\$ 344	\$ 55,788
Construction in Progress	<u>20,786</u>	<u>3,981</u>	<u>2,980</u>	<u>21,787</u>
Total capital assets not being depreciated	<u>76,776</u>	<u>4,123</u>	<u>3,324</u>	<u>77,575</u>
<i>Capital assets being depreciated:</i>				
Buildings	326,752	15,384	4,347	337,789
Improvements other than buildings	204	54	-	258
Machinery and equipment	<u>3,541</u>	<u>365</u>	<u>13</u>	<u>3,893</u>
Total capital assets being depreciated	<u>330,497</u>	<u>15,803</u>	<u>4,360</u>	<u>341,940</u>
Less accumulated depreciation for:				
Buildings	162,120	16,186	247	178,059
Improvements other than buildings	47	17	-	64
Machinery and equipment	<u>3,201</u>	<u>166</u>	<u>7</u>	<u>3,360</u>
Total accumulated depreciation	<u>165,368</u>	<u>16,369</u>	<u>254</u>	<u>181,483</u>
Total capital assets being depreciated, net ..	<u>165,129</u>	<u>(566)</u>	<u>4,106</u>	<u>160,457</u>
Component units capital assets, net	<u>\$ 241,905</u>	<u>\$ 3,557</u>	<u>\$ 7,430</u>	<u>\$ 238,032</u>

Certain prior year balances for the component units have been adjusted to correspond with the proper classification reflected in the Statement of Net Assets.

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes	\$ 139,931	\$ 68,611	\$ 12,945	\$ -	\$ 221,487
Delinquent property taxes	4,271	-	-	2,116	6,387
Unearned revenue	2,204	-	14,029	9,046	25,279
Long-term receivables	-	52,322	-	7,972	60,294
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>11,280</u>	<u>-</u>	<u>11,280</u>
Total	<u>\$ 146,406</u>	<u>\$ 120,933</u>	<u>\$ 38,254</u>	<u>\$ 19,134</u>	<u>\$ 324,727</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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6. SHORT-TERM DEBT

During 2004, the City issued \$66,000,000 of Revenue Anticipation Notes (RANs). The RANs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November 2004.

As of December 31, 2003, the City had outstanding \$150,000,000 of short-term RANs on behalf of Milwaukee Public Schools. In 2004, the City repaid the outstanding balance and issued \$172,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 4% & 6% and will mature on September 1, 2005. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2004 were as follows:

	Balance 01-01-04	New Issues	Repayments	Balance 12-31-04	Amounts Due within One Year
		(Thousands of Dollars)			
Governmental activities:					
General obligation bonds and notes					
City	\$ 477,934	\$ 76,991	\$ 57,822	\$ 497,103	\$ 69,148
Milwaukee Public Schools	120,341	12,340	10,796	121,885	11,465
Deferred amount on refundings	(9,902)	-	(1,530)	(8,372)	-
Unamortized premiums	21,912	10,467	6,820	25,559	-
Capital lease payable	523	-	174	349	175
Compensated absences	37,770	225	992	37,003	2,503
Claims and judgments	33,804	8,891	13,759	28,936	6,667
Total governmental activities	<u>\$ 682,382</u>	<u>\$ 108,914</u>	<u>\$ 88,833</u>	<u>\$ 702,463</u>	<u>\$ 89,958</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 37,809	\$ -	\$ 5,008	\$ 32,801	\$ 4,851
Deferred amount on refundings	(1,391)	-	(272)	(1,119)	-
Unamortized premiums	1,767	-	219	1,548	-
Revenue bonds	14,548	-	803	13,745	824
Compensated absences	<u>921</u>	<u>46</u>	<u>24</u>	<u>943</u>	<u>943</u>
Total Water Works	<u>53,654</u>	<u>46</u>	<u>5,782</u>	<u>47,918</u>	<u>6,618</u>
Sewer Maintenance					
Revenue bonds	61,980	-	1,035	60,945	2,390
Unamortized premiums	<u>2,973</u>	<u>-</u>	<u>261</u>	<u>2,712</u>	<u>-</u>
Total sewer maintenance	<u>64,953</u>	<u>-</u>	<u>1,296</u>	<u>63,657</u>	<u>2,390</u>
Parking					
General obligation bonds and notes	19,635	600	3,622	16,613	3,767
Deferred amount on refundings	(388)	-	(74)	(314)	-
Unamortized premiums	<u>476</u>	<u>-</u>	<u>69</u>	<u>407</u>	<u>-</u>
Total parking	<u>19,723</u>	<u>600</u>	<u>3,617</u>	<u>16,706</u>	<u>3,767</u>
Other Enterprise Funds					
General obligation bonds and notes	4,363	505	339	4,529	506
Deferred amount on refundings	(79)	-	(12)	(67)	-
Unamortized premiums	<u>109</u>	<u>-</u>	<u>14</u>	<u>95</u>	<u>-</u>
Total Other Enterprise	<u>4,393</u>	<u>505</u>	<u>341</u>	<u>4,557</u>	<u>506</u>
Total business-type activities	<u>\$ 142,723</u>	<u>\$ 1,151</u>	<u>\$ 11,036</u>	<u>\$ 132,838</u>	<u>\$ 13,281</u>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the special purpose damages and claims account in the general fund.

CITY OF MILWAUKEE
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	Balance 01-01-04	New Issues	Repayments	Balance 12-31-04	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Component Units					
Revenue bonds	\$ 42,317	\$ -	\$ 3,361	\$ 38,956	\$ 965
Deferred amount on refundings	-	-	-	-	-
Unamortized premiums	-	-	-	-	-
Unamortized discounts	(136)	-	(6)	(130)	-
Notes payable	8,876	11,472	41	20,307	5,886
Advance from other organizations	1,100	-	400	700	400
Total component units	<u>\$ 52,157</u>	<u>\$ 11,472</u>	<u>\$ 3,796</u>	<u>\$ 59,833</u>	<u>\$ 7,251</u>

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2004, general obligation bonds totaling \$24,200,000 were issued to finance capital improvements.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40 percent of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2004, \$94,853,794 has been borrowed and outstanding for forty-three tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$133,479,461. Tax increments received through 2004 total \$104,093,004. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$121,885,000 of Milwaukee Public School long-term debt outstanding at December 31, 2004 consists of a portion of the City's general obligation bonds and notes which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2004, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$776,135,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During the year ended December 31, 2004, the City did not issue revenue bonds.

The component units issue revenue bonds to provide funds for capital construction and mortgage-backed securities. As such, they are not backed by the general credit or taxing powers of the City.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cashflow for the school district and purchases of delinquent taxes. During the year ended December 31, 2004, installment loans totaling \$66,235,000 were issued to provide the school district cashflow, finance building projects and purchase 2003's delinquent taxes.

E. Capital Leases Payable

The City has entered into a lease agreement as lessee for financing the acquisition of automated defibrillators/EKG monitors. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts in the amount of \$349,000 as of December 31, 2004.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2004 was as follows:

	Governmental Activities
<i>(Thousands of Dollars)</i>	
Year ending:	
2005	\$ 175
2006	<u>174</u>
 Total minimum lease payments	 <u>\$ 349</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

F. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt
	Principal	Interest	Principal	Interest	Service
(Thousands of Dollars)					
Governmental activities					
2005	\$ 80,613	\$ 28,523	\$ -	\$ -	\$ 109,136
2006	66,363	25,092	-	-	91,455
2007	60,791	21,905	-	-	82,696
2008	58,710	19,252	-	-	77,962
2009	52,637	16,471	-	-	69,108
2010-2014	201,708	50,562	-	-	252,270
2015-2019	88,869	18,620	-	-	107,489
2020-2023	9,297	12,948	-	-	22,245
Total	<u>\$ 618,988</u>	<u>\$ 193,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,361</u>
Business-type activities					
Water Works					
2005	\$ 4,851	\$ 1,612	\$ 824	\$ 352	\$ 7,639
2006	4,692	1,358	846	330	7,226
2007	3,362	1,120	868	307	5,657
2008	2,845	960	891	284	4,980
2009	1,989	851	915	260	4,015
2010-2014	12,336	2,494	4,949	921	20,700
2015-2019	2,726	200	4,452	239	7,617
Total	<u>\$ 32,801</u>	<u>\$ 8,595</u>	<u>\$ 13,745</u>	<u>\$ 2,693</u>	<u>\$ 57,834</u>
Sewer Maintenance					
2005	\$ -	\$ -	\$ 2,390	\$ 2,762	\$ 5,152
2006	-	-	2,480	2,667	5,147
2007	-	-	2,570	2,575	5,145
2008	-	-	2,650	2,487	5,137
2009	-	-	2,740	2,386	5,126
2010-2014	-	-	15,315	10,008	25,323
2015-2019	-	-	19,025	5,821	24,846
2020-2023	-	-	13,775	1,127	14,902
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,945</u>	<u>\$ 29,833</u>	<u>\$ 90,778</u>
Parking					
2005	\$ 3,767	\$ 776	\$ -	\$ -	\$ 4,543
2006	2,008	612	-	-	2,620
2007	1,981	515	-	-	2,496
2008	2,027	419	-	-	2,446
2009	1,435	329	-	-	1,764
2010-2014	4,232	868	-	-	5,100
2015-2019	1,163	104	-	-	1,267
Total	<u>\$ 16,613</u>	<u>\$ 3,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,236</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Other Enterprise					
2005	\$ 506	\$ 221	\$ -	\$ -	\$ 727
2006	477	197	-	-	674
2007	444	173	-	-	617
2008	443	154	-	-	597
2009	463	131	-	-	594
2010-2014	1,752	355	-	-	2,107
2015-2019	444	36	-	-	480
Total	<u>\$ 4,529</u>	<u>\$ 1,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,796</u>
Component Units					
2005	\$ 5,886	\$ 612	\$ 965	\$ 980	\$ 8,443
2006	47	501	995	940	2,483
2007	3,551	498	1,040	898	5,987
2008	55	494	465	853	1,867
2009	59	488	495	830	1,872
2010-2014	494	2,247	2,850	3,751	9,342
2015-2019	1,723	2,091	670	2,927	7,411
2020-2024	42	1,947	7,576	1,985	11,550
2025-2029	54	1,934	23,900	365	26,253
2030-2034	69	1,919	-	-	1,988
2035-2039	2,091	1,446	-	-	3,537
2040-2044	4,906	571	-	-	5,477
2045-2049	1,318	21	-	-	1,339
2050-2052	12	1	-	-	13
Total	<u>\$ 20,307</u>	<u>\$ 14,770</u>	<u>\$ 38,956</u>	<u>\$ 13,529</u>	<u>\$ 87,562</u>

G. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2004 the City's legal debt margin was \$1,015,300,000. Of this amount, \$448,641,000 was for school purposes and \$566,659,000 was for City purposes.

H. Refundings

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2004, \$160,205,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

I. Conduit Debt

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, is payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2004 is approximately \$78,710,000, \$18,200,000, and \$525,000,000 for the City, HACM, and RACM, respectively.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

8. RETIREMENT PLANS

Pension Benefits

Plan Description - The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2004, 2003, and 2002, were \$21,693,000, \$22,015,000, and \$20,233,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes any of the Health Maintenance Organizations (HMO) plans currently offered to active employees.

The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters with single enrollment status and police officers with single enrollment status. The City contribution for firefighters between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 4,705 employees are eligible to receive these benefits. For 2004, the City paid approximately \$24,603,642 toward medical insurance for its retirees.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

For 2004, the groups rate for life insurance for the City population as a whole was approximately fifty-three cents per month per \$1,000 of coverage after estimated dividends. The effect on this rate as a result of including retirees in the pool is not determinable. Group life insurance for retirees age 65 or older are financed on a pay-as-you-go basis and cannot be readily separated from amounts paid on behalf of active employees. The City estimates \$1,081,200 out of a total \$3,890,682 for group life insurance for 2004 is attributable to approximately 4,983 retirees on the basis of the common group life rate.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2004, approximately \$8,974,000 was paid for sick leave from all funds. At December 31, 2004 accumulated sick leave earned but not taken totaled approximately \$114,355,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2004 terminal leave payments totaled \$1,300,000 to employees retiring during the year. As of December 31, 2004, the City has accrued approximately \$21,727,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$37,003,000, with the remainder accrued vacation leave of \$15,276,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$50,479,000 at December 31, 2004, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$13,431,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$13,431,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Deficit Fund Equity

The Capital Projects Fund has a deficit fund balance of \$12,278,000. The deficit is the result of construction in advance of collecting assessments from property owners and issuing of long-term debt for other construction contracts.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2004, were as follows:

Due From						
	General Fund	General Obligation Debt Service	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
<i>(Thousands of Dollars)</i>						
Due To						
General Fund	\$ -	\$ -	\$ 1,566	\$ -	\$ -	\$ 1,566
General Obligation Debt	2,304	-	6,464	-	-	8,768
Public Debt Amortization	-	291	-	-	-	291
Capital Projects	12,562	-	-	-	-	12,562
Nonmajor Governmental Funds	5,241	-	-	-	-	5,241
Water Works	1,381	-	-	981	836	3,198
Nonmajor Proprietary Funds ..	6,095	-	-	-	-	6,095
Totals	<u>\$ 27,583</u>	<u>\$ 291</u>	<u>\$ 8,030</u>	<u>\$ 981</u>	<u>\$ 836</u>	<u>\$ 37,721</u>

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, (4) and funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

Interfund transfers for the year ended December 31, 2004 were as follows:

Transfers In				
	General Fund	General Obligation Debt Service	Nonmajor Proprietary Funds	Total
<i>(Thousands of Dollars)</i>				
Transfers Out				
General Fund	\$ -	\$ -	\$ 10	\$ 10
General Obligation Debt	6,090	-	556	6,646
Public Debt Amortization.....	-	7,183	-	7,183
Capital Projects Funds	10	2,785	-	2,795
Nonmajor Governmental Funds	4,443	13,613	-	18,056
Water Works	7,900	-	-	7,900
Parking	13,149	462	-	13,611
Nonmajor Proprietary Funds ...	1,677	-	-	1,677
Totals	<u>\$ 33,269</u>	<u>\$ 24,043</u>	<u>\$ 566</u>	<u>\$ 57,878</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them. (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2004, consist of the following:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 1,781
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	13,442
Due from MEDC for tax incremental district loans	2,660
Due from NIDC for reimbursements for expenditures	<u>178</u>
Total	<u>\$ 18,061</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to HACM for project expenditures.....	\$ 214
Due to RACM for project expenditures.....	2,758
Due to MEDC for reimbursable expenses.....	2
Due to NIDC for reimbursements for programmatic expenditures passed through the City	<u>623</u>
Total	<u>\$ 3,597</u>

12. OPERATING LEASES

The City leases various properties under operating lease agreements expiring at various dates through 2007 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
	<i>(Thousands of Dollars)</i>
2005	\$ 2,942
2006	2,601
2007	2,611
2008	2,344
2009	1,960
2010-2014	10,591
2015-2019	10,249
2020-2023	<u>4,165</u>
Total	<u>\$ 37,463</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statement.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries or death in any action founded on fact against the City, agencies, officials, officers or employees cannot exceed \$50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide statements.

The liabilities recorded as long-term debt in the government-wide statements are as follows:

General liability claims	\$ 16,723,000
Workers' compensation claims	7,421,000
Unemployment claims	210,000
Health insurance claims	4,582,000

Changes in the balances of claim liabilities during the past two years are as follows:

	2003	2004
Beginning of year liability	\$ 34,043,000	\$ 33,804,000
Current year claims and changes in estimates	19,996,000	8,891,000
Claim payments	<u>(20,235,000)</u>	<u>(13,759,000)</u>
End of year liability	<u>\$ 33,804,000</u>	<u>\$ 28,936,000</u>

The Milwaukee Police Association filed suit against the City and the Milwaukee Employees' Retirement System as a result of a City Ordinance passed in 1995 that merged the Retirement Fund with the Duty Disability Fund. Actuarial reports indicated that if the separate funds were merged, there were sufficient assets within the Employees' Retirement System to fund all retirement and disability liabilities without currently requiring additional contributions. In 1996, the Circuit Court granted summary judgment to the plaintiff declaring the merger to be unconstitutional. The court stayed enforcement of its order, insofar as any additional contribution of the City was concerned, to give the City the opportunity to appeal. In 1998, the Court of Appeals modified the Circuit Court's judgment; and the City's petition to the Wisconsin Supreme Court to accept a discretionary appeal of the Court of Appeals' decision was denied. As a result, the City was required to make contributions to fund an unfunded liability in the Duty Disability Fund.

The Equal Employment Opportunity Commission ("EEOC") conducted a pattern and practice investigation from December 1993 to September 1996. The investigation resulted in a finding of probable cause that the Fire and Police Commission ("FPC") and Milwaukee Police Department discriminated, based on race, in the areas of hiring, discipline, retaliation, and terms and conditions of employment. The EEOC sought \$5 million in total remedies for the class claims and nearly \$2 million to the individual hiring charging parties. Additionally, the EEOC requested remedies for the 15 individual "terms and conditions" charging parties in an amount totaling over \$2.5 million. The EEOC also sought an additional \$1 million in compensation to the "terms and conditions" class members. The EEOC referred the matter to the United States Department of Justice ("DOJ") in February 1997. Additional individual EEOC charges have also resulted in reasonable cause determinations and have been referred to the DOJ. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit had been authorized against the City and the FPC. DOJ alleges that between 1991 and 1996, African-Americans were

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

discriminated against in terms of differential and less favorable treatment in the hiring process (failing background investigations), and in terms and conditions of employment such as discipline, discharge, and assignment. In 2001 DOJ requested \$6.15 million in compensatory damages for a class of 100 victims of discriminatory terms and conditions of employment and an unspecified sum in back pay for a group of approximately 39 African-Americans who failed background investigations. The City considered that request unreasonable and urged DOJ re-consider its position. Since that time, DOJ has not responded. However, DOJ has declined to pursue litigation on behalf of seven of the charging parties and issued individual right to sue letters to them. To date, one suit has been served upon the City.

The Milwaukee Employees' Retirement System (MERS) is in the process of purchasing a computerized information system to assist in the administration of the City's pension system. The cost is expected to be in the range of \$11 to \$12 million. According to an agreement between the City and the MERS, the cost of the system is to be paid entirely by MERS. In this lawsuit, the Milwaukee Police Association alleges that the agreement between City and MERS limits MERS's obligation to pay for the information system to no more than \$3 million. If the suit is successful, the City might be liable to pay the remaining \$8 to \$9 million.

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$1,085,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18 "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*" establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2004.

14. SUBSEQUENT EVENTS

On March 3, 2005, the City issued \$13,795,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2016 until 2022. Interest is payable on February 15 and August 15 commencing August 15, 2005,

On March 3, 2005, the City issued \$33,530,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects and fiscal requirements of the City. The notes mature on February 15 of each year beginning 2006 until 2015. Interest is payable on February 15 and August 15 commencing August 15, 2005.

On March 3, 2005, the City issued \$56,000,000 of short-term revenue anticipation notes for the purpose of temporarily financing the City's operating budget until the receipt of State shared revenues. These notes mature on March 23, 2006 with interest.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
Revenues:				
Property taxes	\$ 133,542	\$ 133,542	\$ 129,120	\$ (4,422)
Other taxes	2,754	2,754	3,563	809
Licenses and permits	10,025	10,025	11,530	1,505
Intergovernmental	273,548	273,548	273,865	317
Charges for services	53,954	53,954	60,825	6,871
Fines and forfeits	4,785	4,785	5,647	862
Other	6,653	7,092	8,108	1,016
Total Revenues	485,261	485,700	492,658	6,958
Expenditures:				
Current:				
General government	189,007	182,640	179,542	3,098
Public safety	221,537	232,472	231,371	1,101
Public works	84,840	89,618	89,562	56
Health	10,123	10,761	10,724	37
Culture and recreation	16,844	17,825	17,822	3
Conservation and development	3,428	3,496	3,495	1
Total Expenditures	525,779	536,812	532,516	4,296
Deficiency of Revenues over Expenditures	(40,518)	(51,112)	(39,858)	11,254
Other Financing Sources (Uses):				
Transfers in	22,170	28,260	33,269	5,009
Transfers out	-	(10)	(10)	-
Contributions received	25,778	26,623	22,236	(4,387)
Contributions used	(24,838)	(23,350)	(20,582)	2,768
Use of fund balance - reserved for tax stabilization	16,870	16,870	16,870	-
Total Other Financing Sources and Uses	39,980	48,393	51,783	3,390
Net Change in Fund Balance	(538)	(2,719)	11,925	14,644
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	75,111	75,111	75,111	-
Fund Balance - Ending	\$ 74,573	\$ 72,392	\$ 87,036	\$ 14,644
Explanation of Differences of Budget to GAAP:				
For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$16,870 million at January 1, 2004. In addition, budgeted expenditures do not include capital lease payments as public safety expenditures.				
Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.				
See accompanying independent auditors' report.				

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**COMBINING
AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

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Nonmajor Governmental Funds

Nonmajor funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects – This fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant – The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax – This fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

Economic Development Fund – This fund provides expenditure authority for owner financed economic development in commercial areas, including the Business Improvement District program.

CITY OF MILWAUKEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit F-1

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 4,471	\$ -	\$ 8,961	\$ 3	\$ 13,435
Receivables (net):					
Taxes	-	-	9,451	-	9,451
Accounts	1,615	798	-	-	2,413
Notes and loans	-	7,972	-	-	7,972
Accrued interest	1	-	-	-	1
Due from component units	-	394	-	-	394
Due from other governmental agencies	7,957	3,209	-	-	11,166
Total Assets	\$ 14,044	\$ 12,373	\$ 18,412	\$ 3	\$ 44,832
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,232	\$ 2,222	\$ 1	\$ -	\$ 6,455
Due to other funds	4,085	1,156	-	-	5,241
Due to component units	705	225	-	-	930
Due to other governmental agencies	153	798	-	-	951
Deferred revenue	9,046	7,972	2,116	-	19,134
Total Liabilities	18,221	12,373	2,117	-	32,711
Fund Balances:					
Reserved for debt service	-	-	8,960	-	8,960
Reserved for delinquent taxes receivable ..	-	-	7,335	-	7,335
Reserved for economic development	-	-	-	3	3
Unreserved, undesignated	(4,177)	-	-	-	(4,177)
Total Fund Balances	(4,177)	-	16,295	3	12,121
Total Liabilities and Fund Balances .	\$ 14,044	\$ 12,373	\$ 18,412	\$ 3	\$ 44,832
<i>See accompanying independent auditors' report.</i>					

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit F-2

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ -	\$ 3,746	\$ -	\$ 3,746
Intergovernmental	33,046	23,247	-	-	56,293
Other	-	-	1,858	4,624	6,482
Total Revenues	33,046	23,247	5,604	4,624	66,521
Expenditures:					
Current:					
General government	-	2,171	1,033	-	3,204
Public safety	6,852	2,877	-	-	9,729
Public works	3,192	293	-	-	3,485
Health	15,461	1,180	-	-	16,641
Culture and recreation	890	1,024	-	-	1,914
Conservation and development	10,807	15,702	-	4,625	31,134
Total Expenditures	37,202	23,247	1,033	4,625	66,107
Excess (deficiency) of Revenues over Expenditures	(4,156)	-	4,571	(1)	414
Other Financing Sources (Uses):					
General obligation bonds and notes issued .	-	-	15,000	-	15,000
Transfers out	(21)	-	(18,035)	-	(18,056)
Total Other Financing Sources and Uses	(21)	-	(3,035)	-	(3,056)
Net Change in Fund Balances	(4,177)	-	1,536	(1)	(2,642)
Fund Balances - Beginning	-	-	14,759	4	14,763
Fund Balances - Ending	\$ (4,177)	\$ -	\$ 16,295	\$ 3	\$ 12,121
See accompanying independent auditors' report.					

Exhibit F-3

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Exhibit F-4

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit F-5

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other	\$ 4,761	\$ 4,624	\$ (137)
Expenditures:			
Current:			
Conservation and development	4,761	4,625	136
Excess of Revenues over (under) Expenditures	-	(1)	(1)
Fund Balance - Beginning	-	4	4
Fund Balance - Ending	\$ -	\$ 3	\$ 3

See accompanying independent auditors' report.

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Port of Milwaukee – All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this fund.

Metropolitan Sewerage District User Charge – The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a “wholesale” user charge basis and the subsequent billing by the City to customers on a “retail” basis. The City adds administrative expense to the District’s charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit G-1

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1	\$ -	\$ 1
Receivables (net):			
Accounts	268	6,391	6,659
Unbilled accounts	189	1,913	2,102
Due from other funds	-	836	836
Total Current Assets	<u>458</u>	<u>9,140</u>	<u>9,598</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated:			
Land	7,907	-	7,907
Construction in progress	172	-	172
Capital assets being depreciated:			
Buildings	12,332	-	12,332
Improvements other than buildings	18,827	-	18,827
Machinery and equipment	4,547	-	4,547
Furniture and furnishings	48	-	48
Accumulated depreciation	(21,920)	-	(21,920)
Total Noncurrent Assets	<u>21,913</u>	<u>-</u>	<u>21,913</u>
Total Assets	<u>22,371</u>	<u>9,140</u>	<u>31,511</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	163	5,644	5,807
Accrued expenses	96	-	96
Accrued interest payable	63	-	63
Due to other funds	547	5,548	6,095
Deferred revenue	48	-	48
General obligation debt payable - current	<u>506</u>	<u>-</u>	<u>506</u>
Total Current Liabilities	<u>1,423</u>	<u>11,192</u>	<u>12,615</u>
Noncurrent Liabilities:			
General obligation debt	<u>4,051</u>	<u>-</u>	<u>4,051</u>
Total Liabilities	<u>5,474</u>	<u>11,192</u>	<u>16,666</u>
NET ASSETS:			
Invested in capital assets, net of related debt	17,356	-	17,356
Unrestricted	<u>(459)</u>	<u>(2,052)</u>	<u>(2,511)</u>
Total Net Assets	<u>\$ 16,897</u>	<u>\$ (2,052)</u>	<u>\$ 14,845</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit G-2

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Statutory sewer user fee	\$ -	\$ 28,145	\$ 28,145
Rent	3,943	-	3,943
Other	-	1,543	1,543
Total Operating Revenues	<u>3,943</u>	<u>29,688</u>	<u>33,631</u>
Operating Expenses:			
Milwaukee Metropolitan Sewerage District Charges	-	25,963	25,963
Employee services	1,226	95	1,321
Administrative and general	-	32	32
Depreciation	730	-	730
Transmission and distribution	-	3,358	3,358
Services, supplies and materials	747	-	747
Billing and collection	-	1,785	1,785
Total Operating Expenses	<u>2,703</u>	<u>31,233</u>	<u>33,936</u>
Operating Income (Loss)	<u>1,240</u>	<u>(1,545)</u>	<u>(305)</u>
Nonoperating Revenues (Expenses):			
Interest expense	<u>(278)</u>	<u>-</u>	<u>(278)</u>
Income (Loss) before Contributions and Transfers	962	(1,545)	(583)
Capital contributions	143	-	143
Transfers in	566	-	566
Transfers out	<u>(1,677)</u>	<u>-</u>	<u>(1,677)</u>
Change in Net Assets	(6)	(1,545)	(1,551)
Total Net Assets - Beginning	<u>16,903</u>	<u>(507)</u>	<u>16,396</u>
Total Net Assets - Ending	<u>\$ 16,897</u>	<u>\$ (2,052)</u>	<u>\$ 14,845</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit G-3

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 4,019	\$ 30,310	\$ 34,329
Payments to suppliers	(940)	(31,698)	(32,638)
Payments to employees	(1,248)	(95)	(1,343)
Payments from other funds	547	1,483	2,030
Net Cash Provided by Operating Activities	<u>2,378</u>	<u>-</u>	<u>2,378</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Miscellaneous nonoperating revenue	135	-	135
Transfers from other funds	566	-	566
Transfers to other funds	(1,677)	-	(1,677)
Net Cash Used for Noncapital Financing Activities	<u>(976)</u>	<u>-</u>	<u>(976)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	470	-	470
Proceeds from sale of bonds and notes	505	-	505
Acquisition of property, plant and equipment	(3,718)	-	(3,718)
Retirement of bonds, notes and revenue bonds	(339)	-	(339)
Interest paid	(216)	-	(216)
Net Cash Used for Capital and Related Financing Activities	<u>(3,298)</u>	<u>-</u>	<u>(3,298)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,896)	-	(1,896)
Cash and Cash Equivalents - Beginning	<u>1,897</u>	<u>-</u>	<u>1,897</u>
Cash and Cash Equivalents - Ending	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,240	\$ (1,545)	\$ (305)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	730	-	730
Changes in assets and liabilities:			
Receivables	75	622	697
Due from other funds	-	(124)	(124)
Accounts payable	(193)	(560)	(753)
Accrued liabilities	(23)	-	(23)
Due to other funds	547	1,607	2,154
Deferred revenue	2	-	2
Net Cash Provided by Operating Activities	<u>\$ 2,378</u>	<u>\$ -</u>	<u>\$ 2,378</u>

See accompanying independent auditors' report.

Agency Funds

These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit H-1

	Balance 01-01-04	Additions	Deductions	Balance 12-31-04
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and cash equivalents	\$ 163,800	\$ 1,335,940	\$ 1,339,515	\$ 160,225
Taxes receivable	<u>-</u>	<u>103,263</u>	<u>103,263</u>	<u>-</u>
Total Assets	<u>\$ 163,800</u>	<u>\$ 1,439,203</u>	<u>\$ 1,442,778</u>	<u>\$ 160,225</u>
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	<u>\$ 163,800</u>	<u>\$ 1,335,940</u>	<u>\$ 1,339,515</u>	<u>\$ 160,225</u>
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 78,995	\$ 186,451	\$ 181,052	\$ 84,394
Taxes Receivable	<u>-</u>	<u>102,255</u>	<u>102,255</u>	<u>-</u>
Total Assets	<u>\$ 78,995</u>	<u>\$ 288,706</u>	<u>\$ 283,307</u>	<u>\$ 84,394</u>
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	\$ 219	\$ 4,420	\$ 4,367	\$ 272
Milwaukee County	45,921	103,720	101,021	48,620
Menomonee Falls School District	-	226	226	-
Milwaukee Area District Board of Vocational Technical & Adult Education	18,211	43,382	41,793	19,800
Milwaukee Metropolitan Sewerage District	14,644	34,654	33,596	15,702
Washington County	-	4	4	-
Waukesha County	<u>-</u>	<u>46</u>	<u>46</u>	<u>-</u>
Total Liabilities	<u>\$ 78,995</u>	<u>\$ 186,452</u>	<u>\$ 181,053</u>	<u>\$ 84,394</u>
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 174</u>	<u>\$ 1,410</u>	<u>\$ 1,419</u>	<u>\$ 165</u>
LIABILITIES				
Accounts payable	<u>\$ 174</u>	<u>\$ 1,410</u>	<u>\$ 1,419</u>	<u>\$ 165</u>
<i>See accompanying independent auditors' report.</i>				

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit H-1 (Continued)

	Balance 01-01-04	Additions	Deductions	Balance 12-31-04
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 521	\$ 4,202	\$ 4,091	\$ 632
LIABILITIES				
Accounts payable	\$ 146	\$ 329	\$ 474	\$ 1
Due to Other Governmental Agencies:				
State of Wisconsin	307	2,880	2,672	515
Milwaukee County	68	993	945	116
Total Liabilities	\$ 521	\$ 4,202	\$ 4,091	\$ 632
OTHER				
ASSETS				
Cash and cash equivalents	\$ 1,297	\$ 15,841	\$ 15,604	\$ 1,534
LIABILITIES				
Accounts payable	\$ 1,297	\$ 15,841	\$ 15,604	\$ 1,534
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 244,787	\$ 1,543,844	\$ 1,541,681	\$ 246,950
Receivables:				
Taxes	-	205,518	205,518	-
Total Assets	\$ 244,787	\$ 1,749,362	\$ 1,747,199	\$ 246,950
LIABILITIES				
Accounts payable	\$ 1,617	\$ 17,580	\$ 17,497	\$ 1,700
Due to other governmental agencies	243,170	1,526,265	1,524,185	245,250
Total Liabilities	\$ 244,787	\$ 1,543,845	\$ 1,541,682	\$ 246,950
<i>See accompanying independent auditors' report.</i>				

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**MISCELLANEOUS
FINANCIAL
DATA**

Exhibit I-1

	Real Estate	Personal Property	Total
Year Levied			
1985 -1993	\$ 512	\$ 1	\$ 513
1994	212	-	212
1995	226	-	226
1996	543	-	543
1997	339	-	339
1998	296	123	419
1999	382	107	489
2000	544	147	691
2001	1,213	278	1,491
2002	4,242	330	4,572
2003	<u>13,414</u>	<u>540</u>	<u>13,954</u>
Delinquent Taxes Receivable	<u>\$ 21,923</u>	<u>\$ 1,526</u>	23,449
Add: Property taxes receivable on foreclosed property (A)			<u>14,970</u>
Total Delinquent Taxes Receivable			38,419
Less: Estimated uncollectible taxes			<u>(15,219)</u>
Net Delinquent Taxes Receivable			<u>\$ 23,200</u>
See accompanying independent auditors' report.			
(A) Property taxes receivable on foreclosed property is valued at the cost of delinquent taxes and assessments on acquired property.			

CITY OF MILWAUKEE
COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - REPORTING ENTITY
 DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit I-2

Cash and Cash Equivalents:	
Cash	\$ 47,526
Local Government Pooled - Investment Fund	151,743
Institutional Money Market Fund	9,320
Cash with Fiscal Agent	9,370
Certificates of Deposit	342,809
U.S. Agency Notes	50,780
Other	<u>1,980</u>
Total Cash and Cash Equivalents	\$ 613,528
Investments:	
Deferred Compensation Pool	468,202
Treasury Notes, Bills and Agencies	34,254
Investments with Fiscal Agent	567
Capital Appreciation Bonds	22,465
Certificates of Deposit	25,679
Other	<u>3,770</u>
Total Investments	<u>554,937</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 1,168,465</u>

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Restricted Investments	Total
Cash and Cash Equivalents and Investments - Fund:					
General	\$ 118,556	\$ 282	\$ -	\$ -	\$ 118,838
General Obligation Debt Service	80,337	-	-	-	80,337
Public Debt Amortization	19,328	55,454	-	-	74,782
Capital Projects	28,272	-	-	-	28,272
Nonmajor Governmental Funds	13,435	-	-	-	13,435
Water Works	5,835	24,361	-	-	30,196
Sewer Maintenance	13,097	-	7,513	-	20,610
Parking	24,092	-	-	-	24,092
Nonmajor Enterprise Funds	1	-	-	-	1
Pension and Other Employee Benefit Trusts	158	-	-	468,202	468,360
Private-Purpose Trusts	2,437	4,753	-	-	7,190
Agency Funds	246,950	-	-	-	246,950
Component Units	<u>53,517</u>	<u>1,885</u>	<u>-</u>	<u>-</u>	<u>55,402</u>
Total Cash and Cash Equivalents and Investments - Fund	<u>\$ 606,015</u>	<u>\$ 86,735</u>	<u>\$ 7,513</u>	<u>\$ 468,202</u>	<u>\$ 1,168,465</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit I-3

Year	Blight Elimination/ Urban Renewal		Bridges		Economic Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 3,116	\$ 1,123	\$ 1,483	\$ 693	\$ 177	\$ 19
2006	2,922	969	1,356	625	48	10
2007	2,426	818	1,321	560	46	7
2008	2,217	707	1,334	497	41	6
2009	1,972	601	1,362	433	38	3
2010	1,937	507	1,308	364	21	1
2011	1,771	409	1,132	298	2	1
2012	1,632	320	1,051	242	2	1
2013	1,275	237	942	188	2	-
2014	1,271	172	792	141	1	-
2015	1,104	107	689	101	1	-
2016	627	51	542	66	-	-
2017	170	18	408	38	-	-
2018	137	10	340	19	-	-
2019	138	3	187	4	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
Totals	22,715	6,052	14,247	4,269	379	48
Total Requirements	<u>\$28,767</u>		<u>\$18,516</u>		<u>\$ 427</u>	

See accompanying independent auditors' report.

Finance Real and Personal Property Tax Receivables		Financial Management Information System Replacement Project		Fire	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 13,891	\$ 752	\$ 2,099	\$ 376	\$ 1,625	\$ 725
6,217	400	2,146	284	1,620	652
2,707	204	2,233	185	1,564	570
1,793	110	1,950	80	1,469	503
1,106	50	410	10	1,342	431
546	14		-	1,345	363
-	-	-	-	1,327	295
-	-	-	-	1,283	227
-	-	-	-	1,237	163
-	-	-	-	1,247	100
-	-	-	-	674	53
-	-	-	-	248	22
-	-	-	-	157	10
-	-	-	-	25	2
-	-	-	-	25	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>26,260</u>	<u>1,530</u>	<u>8,838</u>	<u>935</u>	<u>15,188</u>	<u>4,117</u>
<u>\$ 27,790</u>		<u>\$ 9,773</u>		<u>\$ 19,305</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Grant and Aid Improvements - City Share		Principal	Harbor Interest	Industrial Land Bank	
	Principal	Interest			Principal	Interest
2005	\$ 153	\$ 21	\$ 506	\$ 221	\$ 67	\$ 11
2006	61	15	477	197	34	7
2007	61	12	444	173	32	5
2008	61	10	443	154	29	4
2009	61	7	463	131	27	2
2010	47	5	384	109	15	1
2011	46	3	385	90	2	-
2012	24	2	370	70	1	-
2013	24	1	324	51	1	-
2014	-	-	289	35	1	-
2015	-	-	261	21	-	-
2016	-	-	92	8	-	-
2017	-	-	37	4	-	-
2018	-	-	27	2	-	-
2019	-	-	27	1	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
Totals	538	76	4,529	1,267	209	30
Total Requirements	<u>\$ 614</u>		<u>\$ 5,796</u>		<u>\$ 239</u>	

See accompanying independent auditors' report.

Lakefront Development		Library		Local Improvement Projects/ Special Assessments		Milwaukee Exposition and Convention Center and Arena	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 9	\$ 2	\$ 973	\$ 439	\$ 2,390	\$ 1,078	\$ 19	\$ 4
4	1	971	388	1,979	951	18	4
4	1	874	338	1,991	843	16	2
4	-	855	297	1,827	749	13	2
3	-	823	253	1,638	661	11	1
2	-	798	211	1,370	581	7	1
-	-	645	172	1,160	519	1	-
-	-	592	140	839	468	1	-
-	-	589	109	974	416	1	-
-	-	549	80	1,001	367	-	-
-	-	481	55	574	324	-	-
-	-	312	32	2,378	294	-	-
-	-	242	16	2,465	196	-	-
-	-	55	4	2,216	93	-	-
-	-	55	2	22	1	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
26	4	8,814	2,536	22,824	7,541	87	14
<u>\$ 30</u>		<u>\$ 11,350</u>		<u>\$ 30,365</u>		<u>\$ 101</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Municipal Expenses		Parking		Playgrounds/ Recreational Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 2,250	\$ 100	\$ 3,767	\$ 776	\$ 1,267	\$ 413
2006	250	70	2,008	612	1,295	349
2007	250	60	1,981	515	989	288
2008	250	50	2,027	419	961	239
2009	250	40	1,435	329	884	191
2010	250	30	1,031	267	762	147
2011	250	20	962	217	592	111
2012	250	10	878	170	384	86
2013	-	-	727	125	453	64
2014	-	-	634	89	372	41
2015	-	-	532	57	234	26
2016	-	-	361	30	170	14
2017	-	-	135	11	86	6
2018	-	-	93	5	18	1
2019	-	-	42	1	18	1
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
Totals	4,000	380	16,613	3,623	8,485	1,977
Total Requirements	<u>\$ 4,380</u>		<u>\$ 20,236</u>		<u>\$ 10,462</u>	

See accompanying independent auditors' report.

Police		Public Buildings		Resource Recovery	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 4,587	\$ 2,249	\$ 9,139	\$ 3,711	\$ 22	\$ 4
4,375	2,040	8,461	3,286	11	2
4,457	1,830	7,930	2,870	10	2
4,649	1,625	7,577	2,500	10	1
4,868	1,395	6,987	2,139	9	1
4,457	1,149	6,569	1,802	5	-
3,806	917	6,013	1,487	1	-
3,533	726	5,217	1,206	-	-
3,251	545	4,884	946	-	-
2,625	379	3,893	704	-	-
2,283	248	3,413	519	-	-
1,620	131	2,738	348	-	-
1,075	46	2,066	209	-	-
195	10	1,439	107	-	-
95	2	1,419	35	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>45,876</u>	<u>13,292</u>	<u>77,745</u>	<u>21,869</u>	<u>68</u>	<u>10</u>
<u>\$ 59,168</u>		<u>\$ 99,614</u>		<u>\$ 78</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Schools		Sewers		Streets	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 11,465	\$ 4,818	\$ 8,256	\$ 3,073	\$ 9,935	\$ 3,895
2006	11,270	4,347	7,272	2,676	8,712	3,404
2007	10,550	3,816	7,072	2,321	8,357	2,965
2008	11,002	3,486	6,547	2,003	8,200	2,572
2009	9,379	2,972	5,833	1,697	7,803	2,170
2010	9,699	2,813	5,199	1,420	7,148	1,778
2011	8,905	2,306	4,672	1,165	5,728	1,422
2012	8,654	2,307	4,204	937	5,326	1,138
2013	8,140	2,124	3,451	725	4,762	868
2014	6,970	1,687	3,457	551	4,025	627
2015	6,319	1,970	2,878	381	3,532	433
2016	4,782	1,609	1,951	232	2,575	253
2017	3,481	2,091	1,560	131	1,861	121
2018	2,471	1,893	1,349	56	789	37
2019	2,536	2,590	57	1	242	6
2020	1,676	2,909	-	-	-	-
2021	1,433	2,772	-	-	-	-
2022	1,684	3,631	-	-	-	-
2023	<u>1,469</u>	<u>3,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>121,885</u>	<u>53,627</u>	<u>63,758</u>	<u>17,369</u>	<u>78,995</u>	<u>21,689</u>
Total Requirements	<u>\$ 175,512</u>		<u>\$ 81,127</u>		<u>\$ 100,684</u>	

See accompanying independent auditors' report.

Tax Incremental Districts		Water		Total Requirements	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 7,690	\$ 5,017	\$ 4,851	\$ 1,612	\$ 89,737	\$ 31,132
7,341	4,612	4,692	1,358	73,540	27,259
7,901	4,208	3,362	1,120	66,578	23,713
7,921	3,811	2,845	960	64,025	20,785
7,831	3,414	1,989	851	56,524	17,782
7,695	3,013	2,492	754	53,087	15,330
7,587	2,619	2,966	635	47,953	12,686
7,207	2,230	2,491	494	43,939	10,774
6,851	1,850	2,101	360	39,989	8,772
5,647	1,493	2,286	251	35,060	6,717
5,066	1,208	1,677	141	29,718	5,644
3,655	933	982	53	23,033	4,076
5,066	741	21	3	18,830	3,641
4,838	478	22	2	14,014	2,719
2,720	231	24	1	7,607	2,880
1,550	113	-	-	3,226	3,022
1,485	37	-	-	2,918	2,809
-	-	-	-	1,684	3,631
-	-	-	-	1,469	3,486
<u>98,051</u>	<u>36,008</u>	<u>32,801</u>	<u>8,595</u>	<u>672,931</u>	<u>206,858</u>
<u>\$ 134,059</u>		<u>\$ 41,396</u>		<u>\$ 879,789</u>	

Exhibit I-4

Year	Principal	Interest	Total Requirements
2005	\$ 824	\$ 352	\$ 1,176
2006	846	330	1,176
2007	868	307	1,175
2008	891	284	1,175
2009	915	260	1,175
2010	939	236	1,175
2011	964	211	1,175
2012	989	185	1,174
2013	1,015	158	1,173
2014	1,042	131	1,173
2015	1,070	104	1,174
2016	1,098	75	1,173
2017	1,127	45	1,172
2018	<u>1,157</u>	<u>15</u>	<u>1,172</u>
	<u>\$ 13,745</u>	<u>\$ 2,693</u>	<u>\$ 16,438</u>

See accompanying independent auditors' report.

Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 & 5 for 2004, consisted of gross revenues plus interest income in the amount of \$71,546, less operating expenses (excluding depreciation) of \$47,884. As a result, the net revenue available for debt service was \$23,662. Debt service requirements consisted of \$1,176 for 2004. At the end of the year, bond coverage computes to 20.12.

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - SEWERAGE SYSTEM REVENUE
AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-5

Year	Principal	Interest	Total Requirements
2005	\$ 2,390	\$ 2,762	\$ 5,152
2006	2,480	2,667	5,147
2007	2,570	2,575	5,145
2008	2,650	2,487	5,137
2009	2,740	2,386	5,126
2010	2,840	2,274	5,114
2011	2,940	2,151	5,091
2012	3,050	2,015	5,065
2013	3,175	1,865	5,040
2014	3,310	1,703	5,013
2015	3,465	1,539	5,004
2016	3,625	1,361	4,986
2017	3,800	1,170	4,970
2018	3,975	975	4,950
2019	4,160	776	4,936
2020	4,360	564	4,924
2021	4,565	341	4,906
2022	2,375	168	2,543
2023	<u>2,475</u>	<u>54</u>	<u>2,529</u>
	<u>\$ 60,945</u>	<u>\$ 29,833</u>	<u>\$ 90,778</u>

See accompanying independent auditors' report.

Note: Sewerage System Revenue Bonds coverage consisted of gross revenues plus interest income in the amount of \$31,279 less operating expenses (excluding depreciation) of \$13,557. As a result, the net revenue available for debt service was \$17,722. Debt service requirements consisted of \$3,862 for 2004. At the end of the year, bond coverage computes to 4.59.

CITY OF MILWAUKEE
SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
 DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	\$3,404	\$ 645	\$ 2,318	\$1,213	\$ 631
Receivables (net):					
Taxes	-	15	-	-	259
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from other governmental agencies	2,087	-	-	-	25
Inventory of materials and supplies	-	-	-	-	-
Total Assets	<u>\$5,491</u>	<u>\$ 660</u>	<u>\$ 2,318</u>	<u>\$1,213</u>	<u>\$ 915</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 66	\$ -	\$ 60	\$ 121	\$ 211
Due to other funds	-	-	-	-	-
Due to component units	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-
Deferred revenue	1,247	25	-	-	474
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>1,313</u>	<u>25</u>	<u>60</u>	<u>121</u>	<u>685</u>
Fund Balance:					
Reserved for encumbrances, prepaids, and carryovers	4,178	635	2,258	1,092	230
Reserved for inventory	-	-	-	-	-
Unreserved:					
Special assessment (deficit)	-	-	-	-	-
Total Fund Balance	<u>4,178</u>	<u>635</u>	<u>2,258</u>	<u>1,092</u>	<u>230</u>
Total Liabilities and Fund Balance	<u>\$5,491</u>	<u>\$ 660</u>	<u>\$ 2,318</u>	<u>\$1,213</u>	<u>\$ 915</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ 5,160	\$ 12,758	\$ 527	\$ 1,616	\$ -	\$ -	\$ -	\$ 28,272
29	30	-	88	5,541	1,665	-	7,627
-	-	1,779	-	1,240	-	-	3,019
-	-	-	-	-	-	15,520	15,520
-	-	87	29	11,592	-	-	13,820
-	-	262	-	-	-	-	262
<u>\$ 5,189</u>	<u>\$ 12,788</u>	<u>\$ 2,655</u>	<u>\$ 1,733</u>	<u>\$ 18,373</u>	<u>\$ 1,665</u>	<u>\$ 15,520</u>	<u>\$ 68,520</u>
\$ 380	\$ 2,740	\$ 998	\$ 357	\$ 4,245	\$ 169	\$ 643	\$ 9,990
-	-	-	-	1,680	10,882	-	12,562
-	14	-	2	-	2,645	-	2,661
-	-	-	-	-	3,808	92	3,900
50	50	173	241	18,698	2,826	14,470	38,254
-	-	-	-	-	-	13,431	13,431
<u>430</u>	<u>2,804</u>	<u>1,171</u>	<u>600</u>	<u>24,623</u>	<u>20,330</u>	<u>28,636</u>	<u>80,798</u>
4,759	9,984	1,222	1,133	(6,250)	(18,665)	-	576
-	-	262	-	-	-	-	262
-	-	-	-	-	-	(13,116)	(13,116)
<u>4,759</u>	<u>9,984</u>	<u>1,484</u>	<u>1,133</u>	<u>(6,250)</u>	<u>(18,665)</u>	<u>(13,116)</u>	<u>(12,278)</u>
<u>\$ 5,189</u>	<u>\$ 12,788</u>	<u>\$ 2,655</u>	<u>\$ 1,733</u>	<u>\$ 18,373</u>	<u>\$ 1,665</u>	<u>\$ 15,520</u>	<u>\$ 68,520</u>

CITY OF MILWAUKEE
SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS BY PURPOSE
 FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	\$ -	\$ 25	\$ 645	\$ -	\$ 797
Special Assessments	-	-	-	-	-
Intergovernmental	1,077	-	-	-	197
Other	-	-	-	-	-
Total Revenues	<u>1,077</u>	<u>25</u>	<u>645</u>	<u>-</u>	<u>994</u>
Expenditures:					
Capital outlay	<u>1,461</u>	<u>7</u>	<u>7,480</u>	<u>1,005</u>	<u>1,709</u>
Excess (deficiency) of Revenues over Expenditures	<u>(384)</u>	<u>18</u>	<u>(6,835)</u>	<u>(1,005)</u>	<u>(715)</u>
Other Financing Sources (Uses):					
General obligation bonds and notes issued	2,757	-	5,515	786	1,442
Transfers out	-	-	-	-	-
Total Other Financing Sources and Uses	<u>2,757</u>	<u>-</u>	<u>5,515</u>	<u>786</u>	<u>1,442</u>
Net Change in Fund Balance	2,373	18	(1,320)	(219)	727
Fund Balance (Deficit) - Beginning	<u>1,805</u>	<u>617</u>	<u>3,578</u>	<u>1,311</u>	<u>(497)</u>
Fund Balance (Deficit) - Ending	<u>\$ 4,178</u>	<u>\$ 635</u>	<u>\$ 2,258</u>	<u>\$ 1,092</u>	<u>\$ 230</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Schools Financing	Total
\$ 135	\$ -	\$ -	\$ 150	\$ 9,324	\$ 1,001	\$ -	\$ -	\$ 12,077
-	-	-	-	-	-	4,665	-	4,665
-	-	177	33	3,934	-	-	-	5,418
<u>-</u>	<u>-</u>	<u>479</u>	<u>-</u>	<u>128</u>	<u>2,785</u>	<u>-</u>	<u>-</u>	<u>3,392</u>
<u>135</u>	<u>-</u>	<u>656</u>	<u>183</u>	<u>13,386</u>	<u>3,786</u>	<u>4,665</u>	<u>-</u>	<u>25,552</u>
<u>3,421</u>	<u>19,779</u>	<u>4,154</u>	<u>2,299</u>	<u>23,729</u>	<u>21,145</u>	<u>6,313</u>	<u>12,340</u>	<u>104,842</u>
<u>(3,286)</u>	<u>(19,779)</u>	<u>(3,498)</u>	<u>(2,116)</u>	<u>(10,343)</u>	<u>(17,359)</u>	<u>(1,648)</u>	<u>(12,340)</u>	<u>(79,290)</u>
2,051	25,088	625	2,026	3,501	16,200	-	12,340	72,331
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>(2,785)</u>	<u>-</u>	<u>-</u>	<u>(2,795)</u>
<u>2,051</u>	<u>25,088</u>	<u>625</u>	<u>2,026</u>	<u>3,491</u>	<u>13,415</u>	<u>-</u>	<u>12,340</u>	<u>69,536</u>
(1,235)	5,309	(2,873)	(90)	(6,852)	(3,944)	(1,648)	-	(9,754)
<u>5,994</u>	<u>4,675</u>	<u>4,357</u>	<u>1,223</u>	<u>602</u>	<u>(14,721)</u>	<u>(11,468)</u>	<u>-</u>	<u>(2,524)</u>
<u>\$ 4,759</u>	<u>\$ 9,984</u>	<u>\$ 1,484</u>	<u>\$ 1,133</u>	<u>\$ (6,250)</u>	<u>\$ (18,665)</u>	<u>\$ (13,116)</u>	<u>\$ -</u>	<u>\$ (12,278)</u>

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 91,156	\$ 86,734	\$ (4,422)
Provision for Employees' Retirement	42,386	42,386	-
Total Property Taxes	<u>133,542</u>	<u>129,120</u>	<u>(4,422)</u>
Other Taxes:			
Payment in lieu of taxes	1,170	1,216	46
Interest on city tax certificates and other taxes	1,584	2,347	763
Total Other Taxes	<u>2,754</u>	<u>3,563</u>	<u>809</u>
Licenses and Permits:			
Licenses:			
Business and occupational	3,626	3,895	269
Other	31	115	84
Permits:			
Building	5,356	6,238	882
Zoning	233	291	58
Other	779	991	212
Total Licenses and Permits	<u>10,025</u>	<u>11,530</u>	<u>1,505</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes	240,375	240,440	65
Local street aids	26,550	25,608	(942)
Payment for municipal services	2,550	2,528	(22)
Other	4,073	5,289	1,216
Total Intergovernmental	<u>273,548</u>	<u>273,865</u>	<u>317</u>
Charges for Services:			
General government	9,489	10,460	971
Public safety	11,609	13,153	1,544
Public works	29,569	33,305	3,736
Health	579	911	332
Culture and recreation	2,324	2,412	88
Conservation and development	384	584	200
Total Charges for Services	<u>53,954</u>	<u>60,825</u>	<u>6,871</u>
Fines and Forfeits:			
Municipal Court	4,785	5,647	862
Other:			
Interest on temporary investments	1,875	2,449	574
Miscellaneous	5,217	5,659	442
Total Other	<u>7,092</u>	<u>8,108</u>	<u>1,016</u>
Total	<u>\$ 485,700</u>	<u>\$ 492,658</u>	<u>\$ 6,958</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit I-9

		2004 Actual				
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Zoning Appeals	\$ 237	\$ 188	\$ 49	\$ -	\$ 237	\$ -
Mayor	696	656	30	1	687	9
Common Council - City Clerk	6,005	4,847	1,021	83	5,951	54
Municipal Court	3,014	1,928	1,072	4	3,004	10
City Attorney	8,894	4,335	4,089	131	8,555	339
Administration	12,486	4,443	8,010	17	12,470	16
Employee Relations	100,654	3,507	96,749	10	100,266	388
Election Commission	1,997	933	1,042	2	1,977	20
Comptroller	30,785	3,165	26,497	17	29,679	1,106
City Treasurer	4,227	1,531	2,570	4	4,105	122
Assessor's Office	3,435	3,044	391	-	3,435	-
Employee's Retirement	3,967	237	2,848	-	3,085	882
Interest Expense	6,091	-	6,091	-	6,091	-
Non-departmental - unallocated ...	152	-	-	-	-	152
Total General Government	182,640	28,814	150,459	269	179,542	3,098
Public Safety:						
Fire Department	68,773	63,808	3,419	481	67,708	1,065
Police Department	151,806	140,346	10,117	1,341	151,804	2
Neighborhood Services	11,893	7,492	4,214	153	11,859	34
Total Public Safety	232,472	211,646	17,750	1,975	231,371	1,101
Public Works:						
General Office	3,756	2,819	859	51	3,729	27
Infrastructure	19,228	12,632	6,516	72	19,220	8
Operations	66,634	40,271	24,316	2,026	66,613	21
Total Public Works	89,618	55,722	31,691	2,149	89,562	56
Health	10,761	8,896	1,812	16	10,724	37
Culture and Recreation:						
Public Library	17,825	12,607	2,936	2,279	17,822	3
Conservation and Development:						
Department of City Development .	3,496	2,160	1,335	-	3,495	1
Total	\$ 536,812	\$ 319,845	\$ 205,983	\$ 6,688	\$ 532,516	\$ 4,296

See accompanying independent auditors' report.

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Table 1

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Table 2

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Table 3

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Table 4

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Table 5

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Table 6

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CITY OF MILWAUKEE
PROPERTY TAX RATES AND TAX LEVIES - ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS

Table 7

Levy for Year (C)					Milwaukee Area District Board of Vocational, Technical and Adult Education				
	<u>City of Milwaukee (A)</u>		<u>Milwaukee School Board (B)</u>						
TAX RATES PER \$1,000 OF ASSESSED									
1995	\$	10.47	28.5%	\$	15.46	42.2%	\$	2.04	5.6%
1996		10.09	28.6		14.28	40.5		2.10	6.0
1997		9.81	33.3		9.97	33.9		2.01	6.8
1998		9.47	33.2		9.02	31.6		2.11	7.4
1999		9.20	32.5		9.44	33.4		2.01	7.1
2000		9.12	32.5		8.95	31.9		2.16	7.7
2001		9.86	35.2		8.81	31.5		2.00	7.1
2002		10.22	34.6		9.11	30.8		2.23	7.6
2003		9.51	34.9		8.55	31.4		2.05	7.5
2004		9.22	35.2		8.12	31.0		2.04	7.8

Tax Levies

1995	\$ 144,049	\$ 238,537	\$ 28,081
1996	138,750	221,958	28,967
1997	143,061	181,336	29,388
1998	139,417	167,446	31,020
1999	145,555	181,736	31,847
2000	141,279	169,562	33,455
2001	169,678	180,874	34,437
2002	176,579	186,228	38,499
2003	184,682	193,636	39,808
2004	188,680	193,756	41,793

- (A) Excludes allocation of debt service requirement on debt incurred for schools, initially included in the City of Milwaukee. (\$.51 in 2004)
- (B) Includes allocation of debt service requirement on debt incurred for schools, initially included in the tax levy of the City of Milwaukee. (\$.51 in 2004)
- (C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

County of Milwaukee		State of Wisconsin		Milwaukee Metropolitan Sewerage District		Total					
VALUE AND PERCENT OF TOTAL											
\$	5.41	14.7%	\$	0.21	0.6%	\$	3.07	8.4%	\$	36.66	100.0%
	5.74	16.3		0.21	0.6		2.81	8.0		35.23	100.0
	5.72	19.4		0.20	0.7		1.72	5.9		29.43	100.0
	5.96	20.9		0.21	0.7		1.77	6.2		28.54	100.0
	5.72	20.2		0.20	0.7		1.72	6.1		28.29	100.0
	5.82	20.7		0.21	0.8		1.80	6.4		28.06	100.0
	5.46	19.5		0.20	0.7		1.68	6.0		28.01	100.0
	5.91	20.0		0.22	0.7		1.87	6.3		29.56	100.0
	5.20	19.1		0.20	0.7		1.74	6.4		27.25	100.0
	4.94	18.9		0.21	0.8		1.64	6.3		26.17	100.0

(In Thousands)

\$ 74,326	\$ 2,873	\$ 42,191	\$ 530,057
78,897	2,964	38,654	510,190
83,308	3,008	25,110	465,211
87,779	3,102	26,039	454,803
90,387	3,246	27,152	479,923
90,017	3,340	27,876	465,529
93,946	3,469	28,876	511,280
102,173	3,891	32,287	539,657
100,841	4,060	33,722	556,749
101,070	4,346	33,596	563,241

Table 8

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Table 9

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CITY OF MILWAUKEE
COMPUTATION OF LEGAL DEBT MARGIN
December 31, 2004
(Thousands of Dollars)

Table 10

Assessed Value		<u>\$ 22,772,420</u>
Equalized Value		<u>23,491,774</u>
Debt Limit 7 Percent of Equalized Value		1,644,424
Amount of Debt Applicable to Debt Limit:		
General obligation bonds	\$ 497,175	
General obligation notes	121,813	
Parking bonds and notes	16,613	
Harbor bonds	4,529	
Water Works bonds	32,801	
Water Works revenue bonds	13,745	
Sewer revenue bonds	<u>60,945</u>	
Total Debt		\$ 747,621
Deduct:		
Assets in Debt Service Funds	43,807	
Water Works revenue bonds (A)	13,745	
Sewer revenue bonds	<u>60,945</u>	
Total Deductions		<u>118,497</u>
Total Amount of Debt Applicable to Debt Limit		<u>629,124</u>
Legal Debt Margin		<u>\$ 1,015,300</u>

(A) *The Water Revenue Bonds and Sewer Revenue Bonds are payable only from the income and revenues derived from the operations of the water system and sewer system, respectively. These bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or provision.*

Note: *State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. The legal debt margin as of December 31, 2004 was \$448,641 for school purposes and \$566,659 for general purposes.*

Table 11

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CITY OF MILWAUKEE
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
 LONG-TERM DEBT TO GENERAL EXPENDITURES**
 LAST TEN YEARS
 (Thousands of Dollars)

Table 12

Year	Principal (A)	Interest (A)	Total Debt Service (A)	Total General Expenditures	Ratio of Debt Service to General Expenditures (Percent)
1995	\$ 53,004	\$ 18,786	\$ 71,790	\$ 448,698	16.0%
1996	59,038	15,428	74,466	443,859	16.8
1997	58,575	17,154	75,729	455,791	16.6
1998	60,402	17,703	78,105	462,292	16.9
1999	58,645	19,295	77,940	465,064	16.8
2000	60,693	19,855	80,548	515,639	15.6
2001	62,037	21,998	84,035	495,709	16.9
2002	65,761	24,302	90,063	515,480	17.5
2003	61,103	23,306	84,409	545,318	15.5
2004	57,822	23,783	81,605	553,098	14.8
(A)	Excludes school debt service. The City is obliged by State Statutes to provide financing for the acquisition of school facilities operated by the Milwaukee Board of School Directors. School debt service is the legal liability of the City of Milwaukee but school expenditures are under control of the Board of Directors.				

CITY OF MILWAUKEE
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Table 13

Year	Population (A)	Per Capita Income (B)	Median Age (C)	School Enrollment (D)	Unemployment Rate (E)
1995	623,531	\$ 12,450	30.3	103,676	4.8%
1996	620,609	12,800	30.3	106,261	5.1
1997	612,740	13,219	30.3	107,043	5.2
1998	610,654	13,436	30.3	105,645	4.8
1999	608,150	13,780	30.3	105,374	4.9
2000	605,572	14,170	30.6	103,541	5.9
2001	595,508	14,147	30.6	103,397	7.4
2002	595,958	13,420	30.6	103,464	8.9
2003	595,245	13,680	30.6	103,769	7.9
2004	593,920	Not available	30.6	102,309	6.8
(A)	The December 31, 1995 through 2004 populations are estimated from the Wisconsin Department of Revenue population used in the distribution of State Shared Taxes.				
(B)	Derived from data contained in Sales and Marketing Management magazine for the appropriate year. For the year 1995, data was revised by Sales and Marketing Management magazine to conform with 1990 census data. Decline for 1995 resulted from modifications to data calculation methodology by the reporting source.				
(C)	Median age of the population is determined only during a census. These figures represent the data collected by the 1990 and 2000 Regular Census.				
(D)	Annual School Census by Board of School Directors. Represents Public Schools only.				
(E)	State of Wisconsin, Department of Workforce Development.				

CITY OF MILWAUKEE
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
 LAST TEN YEARS
 (Thousands of Dollars)

Table 14

Year	<u>Commercial Construction</u>		<u>Residential Construction</u>		Bank Deposits (A)	<u>Real Property Value</u>		
	Number of Permits	Value	Number of Units	Value		Commercial	Equalized Residential	Nontaxable
1995	71	\$ 39,983	390	\$ 20,776	\$ 13,013,020	\$ 5,388,417	\$ 8,246,386	\$ 3,497,462
1996	77	37,780	183	12,122	16,205,221	5,409,709	8,501,628	3,525,520
1997	86	161,479	345	27,512	17,921,013	5,475,827	8,859,451	3,566,982
1998	79	68,042	589	45,257	20,832,537	5,873,130	9,133,138	3,422,096
1999	95	128,344	203	20,442	15,975,126	6,221,962	9,683,606	3,456,294
2000	88	99,968	352	35,184	17,926,606	6,241,899	10,187,868	3,384,708
2001	99	106,537	542	99,106	23,185,907	7,011,654	11,364,344	3,422,534
2002	89	87,778	697	72,252	20,513,650	7,221,024	12,179,233	3,368,493
2003	96	61,825	825	111,861	22,674,292	7,614,584	13,236,433	3,400,762
2004	89	63,485	747	78,243	22,131,059	8,159,591	14,496,333	3,881,313
(A)	Firstar Bank - Milwaukee was purchased by Firstar Bank - Cincinnati in October, 1999 and is no longer included.							
Sources:	Construction data from City of Milwaukee Department of Neighborhood Services. Bank Deposits are year-end, as reported to U.S. Federal Reserve, Chicago. Equalized Property Value is determined by the State of Wisconsin. Nontaxable Property Value is estimated by the City of Milwaukee, Assessor's Office.							

Table 15

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CITY OF MILWAUKEE
SCHEDULE OF INSURANCE IN FORCE
December 31, 2004
(Thousands of Dollars)

Table 16

Type of Coverage and Name of Company	Policy Number	Policy Period	
		From	- To
Liability Insurance			
Various - RACM Properties	Various	Various	
Property/Marine Insurance			
Local Government Property Insurance Fund	140440	01/01/04 - 01/01/05	
One Beacon	C5JH40210 & N5JH40215	12/31/04 - 12/31/05	
Hartford Steam Boiler	FBP4919044	01/01/04 - 01/01/05	
Hartford Steam Boiler Company	FBP-0074750(11)	08/01/04 - 08/01/05	
AIG	COPS1957536	01/01/04 - 01/01/05	
Bond/Crime Insurance			
Old Republic Surety	MSA1167235, MSA1167236 & 7	04/16/04 - 04/16/05	
AIG	5157743 & 515-77-40	06/13/04 - 06/13/05	
Travelers	104364230	08/08/04 - 08/08/05	
Federal	81599788	08/08/04 - 08/08/05	
Scottsdale Ins. Co. of Florida	PKI0000980	03/12/04 - 03/12/05	
Evanston Insurance Company	EO-818417	02/01/04 - 02/01/05	
Comprehensive General Liability			
American Safety Risk Retention Group/HAI	MPL 04-2416-04	06/15/04 - 06/15/05	
Housing Auth. Risk RetentionGroup (HARRG)	50-0029-2004	09/01/04 - 09/01/05	
Fire, Extended Coverage, Vandalism & Malicious Mischief			
Housing Authority Property Insurance (HAPI)	28/KTJCMB-199D500-3-2004	09/01/04 - 09/01/05	
Travelers	28/KTJCMB-199D500-3-2004	09/01/04 - 09/01/05	
American Bankers Ins Co of Florida / FEMA	Various	04/19/04 - 05/21/05	
HAI/American Alternative Ins Corp	59A2CP0000073-02	07/13/04 - 07/13/05	
Automobile			
Housing Authority Risk Retention Group	KTN-810-345D8647-PHX-04 HARRG AU 13	01/01/04 - 01/01/05	
HAI/American Alternative Ins Corp	59AGL0000005-02	04/29/04 - 04/29/05	
Worker's Compensation			
Society Insurance	WC-427788	01/02/04 - 01/02/05	

Table 16 (Continued)

Details of Coverage	Liability Limits	Annual Premium
General Liability	\$ 3,500	\$ 27
Buildings, Personal Property	1,151,411	287
Wharfinger Liability, Protection & Indemnity	12,000	65
Boiler & Machinery	100,000	50
HACM Boiler	25,000	18
Enviornmental	5,000	56
Public Official Bond - Treasurer	600	2
Public Employee	2,000	23
Fiduciary	10,000	35
Fiduciary Responsibility Excess	10,000	24
RACM - Public Officials/Employees	2,000	21
Water Testing - Errors & Omissions	1,000	4
Lead Inspector's Professional Liability	1,000	26
Lead Based Paint/Mold/Commercial Liability	5,600	193
Law Enforcement	1,000	9
Hous. Authority Directors, Officers/Employment	2,050	116
Pesticide	1,000	2
Housing Projects, Property/Fire	404,086	545
Property	12,000	6
Housing Projects, Flood Insurance	11,246	83
Property/Fire/Liability	5,000	39
Housing Authority Fleet	2,000	77
Commercial Liability - VETS	2,000	39
HACM, RACM	600	210

CITY OF MILWAUKEE
MISCELLANEOUS STATISTICAL DATA
 December 31, 2004

Table 17

Date of Incorporation	January 31, 1846
City Charter Adopted	January 31, 1846
Form of Government	Council-Mayor
Area of City	95.8 square miles
Miles of Streets and Alleys	
Streets - Paved	1,418
Streets - Unpaved	14
Alleys	416
Miles of Sewers	
Storm	955
Sanitary	935
Combined	547
Building Permits	
Permits Issued	986
Permit Value	\$ 160,293,525
Fire Protection	
Fire Stations	36
Total Fire Department Employees	1,151
Fire Fighting Force	1,039
Police Protection	
Police Stations	7
Total Police Department Employees (Authorized)	2,953
Employees with Law Enforcement Powers (Authorized)	2,149
Municipal Lock-up Facilities	7
Total Detention Capacity	194
Police Patrol Vehicles	503
Police Patrol Motorcycles	59
Recreation	
Playgrounds, Playfields, Tot Lots, Recreation Centers and Special Facilities Serving Youth/Adult ..	277
Enterprise	
Milwaukee Water Works	
Population Served	833,000
Number of Metered Accounts	161,161
Million Gallons Pumped	44,309
Million Gallons Consumed	37,289
Miles of Mains	1960.2
Hydrants	19,758
Plant Capacity in Million Gallons per Day	
Supply Pumping Stations	760
Major Pumping Stations	687
Repumping Stations	313

CITY OF MILWAUKEE
MISCELLANEOUS STATISTICAL DATA
 December 31, 2004

Table 17 (Continued)

Lights	
Street	67,294
Alley	8,803
Employees: Average Number During 2003	
Total Employees - Civil Service and Exempt	7,555
Exempt Employees - Excluding Summer Youth Employment Training Program and Election Workers	266
Elections (Regularly scheduled - City wide only)	
Pre-Registered Voters - February 2004	344,361
Pre-Registered Voters - April 2004	360,032
Pre-Registered Voters - September 2004	382,737
Pre-Registered Voters - November 2004	396,600
Votes Cast in	
Spring Primary Election - February 17, 2004	139,362
Spring General Election - April 6, 2004	163,026
Fall Primary Election - September 14, 2004	94,643
Fall General Election - November 2, 2004	277,535
Percentage of Pre-registered Voters Voting in	
2004 Spring Primary Election	40.00%
2004 Spring General Election	46.72%
2004 Fall Primary Election	24.73%
2004 Fall General Election	69.98%
Population (A)	
2000	605,572
2001	595,508
2002	595,958
2003	595,245
2004	593,920

(A) The 2000-2004 populations are estimated from the Wisconsin Department of Administration population used in the distribution of State Shared Taxes.